

Socioeconomic Renovation in Viet Nam

The Origin, Evolution, and Impact of *Doi Moi*

edited by Peter Boothroyd and Pham Xuan Nam

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Contents

Foreword	vii
Preface	ix
Dedication	xv
Acknowledgments	xv
Part I. Rural Development in Viet Nam: The Search for Sustainable Livelihoods	1
Introduction	3
Project overview	3
Chapter 1. Some theories of rural development in recent decades:	
lessons from other countries' experiences	6
The role of agriculture in industrialization	6
"Big leap" into industrialization and urbanization	7
Harmonious links in the development process	9
Chapter 2. The ups and downs of Vietnamese agriculture	
and rurality before renovation	10
Rapid growth of agriculture following land reform	10
Agricultural collectivization	11
Policy readjustment vis-à-vis agriculture and rurality	14
Chapter 3. The socioeconomic impact of renovation on rural development	17
Population and family planning	19
Labour and employment	21
Restructuring the rural economy: diversifying agricultural production,	
and promoting small- and handicraft-industries	24
Management and utilization of natural resources	27
Social stratification, hunger eradication, and poverty alleviation	32
Chapter 4. Concluding remarks and recommendations	37
The importance of initiative and innovation in the rural economy	37
Balancing rural-agricultural with urban-industrial development	38
Population growth and family planning	39
Job creation and rural development	40
Restructuring the rural economy	41
Sustainable development and quality of life	42
Rapid economic growth and social progress	43
Some remaining issues in agricultural and rural development	46
Final comments	46
Bibliography	48
Part II. Urban Housing	51
Introduction	53
Chapter 5. The socioeconomic impacts of renovation on urban development	54
Stages of urban development prior to renovation	54
Urbanization and the socioeconomic development of Viet Nam	55
Urban socioeconomic impacts of renovation	56
Chapter 6. The socioeconomic impacts of renovation on urban housing in Viet Nam	63
Pre- and post-renovation urban housing problems: an overview	63
The dynamics of urban housing production in the renovation period:	
diversification of types and producers	67

Chapter 7. The research method.....	70
The research method.....	70
Housing production in the state-sponsored sector.....	71
Housing production in the private (household) sector.....	75
Chapter 8. Case studies.....	83
Case Study 1. Resettlement compensation by relocation in apartment buildings: Ho Chi Minh City.....	83
Case Study 2. Resettlement compensation by land allocation for new house construction: Ho Chi Minh City.....	84
Case Study 3. Three forms of housing in Hanoi.....	85
Case Study 4. The irregular conversion of state housing in Hanoi.....	87
Case Study 5. Housing production in a suburb of Hanoi.....	89
Case Study 6. Housing renovation in the ancient quarter of Hanoi.....	90
Case Study 7. Funding for construction of houses in the welfare sector.....	91
Case Study 8. Formation of an irregular squatter settlement in Hanoi.....	92
Case Study 9. Formation of an irregular squatter settlement in Ho Chi Minh City.....	93
Chapter 9. Renovation and urban housing: obstacles and prospects.....	95
A decade of renovation.....	95
Policy implications.....	96
Policy suggestions.....	97
Bibliography.....	100
Part III. Household Economy.....	101
Chapter 10. Household economy under impacts of economic reforms in Viet Nam.....	103
Introduction.....	103
Aims of the study.....	103
Rationale.....	103
Method.....	104
Theoretical and methodological issues.....	105
The definition of household.....	106
Changing economic activities of the household.....	110
The main processes bringing about economic changes in the household.....	112
Chapter 11. Embedding the Vietnamese household in processes of economic change.....	114
Economic policy changes.....	114
Primary household characteristics.....	115
The household as a resource system.....	117
The household as a labour division unit.....	122
Household economic strategies: marketization versus subsistence orientation.....	126
The household as an "income pooling" unit.....	128
Conclusions and policy recommendations.....	130
Bibliography.....	136
Part IV. Social Policy.....	139
Introduction.....	141
Chapter 12. On social policies.....	143
Renovating the concept of social policy.....	143
The sphere of social policies.....	144
The functions of social policies.....	145
The core of social policies.....	145
Other principles for making social policies.....	146
Chapter 13. Relations between economic and social policies under renovation.....	147

Chapter 14. Social justice as the core of social policies: possibilities for Viet Nam	153
Social justice and social equality.....	153
Standards of social justice and possibilities for implementation in Viet Nam.....	154
Social justice as a driving force for socioeconomic development.....	154
Chapter 15. Polarization of the rich and the poor	156
Chapter 16. Relationship between business accounting and state financing in some fields of sociocultural activities (education, public health, culture).....	160
Chapter 17. Impact of renovation policy on motivating farmers and workers	167
Bibliography	172
Appendices	173
Appendix 1. Contributing Authors.....	173
Appendix 2. Acronyms	174



Foreword

The people of Viet Nam have experienced huge changes in most aspects of their lives as a result of their government's policy changes since the mid-1980s. Viet Nam first liberalized domestic markets, resulting in a rapid growth of agricultural production. It opened its economy to trade and foreign investment; and it opened its borders to flows of people: tourists, businesspersons, students and scholars. Through trade and diplomacy, Viet Nam has become increasingly involved in the region, and has successfully joined ASEAN (the Association of South East Asian Nations). Domestic and international trade and investment have grown rapidly, leading to higher incomes, an influx of international goods, new ways of interaction and commercial organization within the country.

This monograph is about how Vietnamese social scientists interpret, understand and respond to the dramatic socioeconomic changes the country faced in the first half of the 1990s. The volume is unique in that it first and foremost represents the work of Vietnamese social-science scholars. Thus, it is devoid of the interpretation that has typically been overlaid on such studies by foreign analysts. The included works are products of the renovation underway in the country in every respect. The authors attempt to describe and analyze the manifestations of these changes as they affect crucial dimensions of social life and policy in Viet Nam.

The collaborative research process used to generate these papers, as explained by Peter Boothroyd and Pham Xuan Nam in their introduction, was itself an innovative experience for scholars from both UBC and Viet Nam's NCSSH. The opportunity for this research collaboration was pursued jointly because they recognized different analytical social-science tools would be needed to help diagnose and manage the emerging market-based socialism of the new Vietnamese economy.

The IDRC-supported project from which this volume grew was one which relied on a strong collaborative relationship between UBC and the NCSSH. This relationship was built through separate, and complementary support from CIDA. IDRC's mandate for research support to developing countries is premised on our conviction that knowledge — its production, distribution, ownership and wise application — is fundamental to the development process. IDRC is dedicated to the generation and application of knowledge toward a goal that is shared with the government of Viet Nam: the alleviation of poverty and the improvement of human well-being. Through supporting social-science research on the effects of Viet Nam's socioeconomic impacts of renovation (*doi moi*) policy in this project,

IDRC sought to help Vietnamese scholars generate new knowledge of the changes underway in their own society. Research and reflection on the linkages between socioeconomic change and policies will help social scientists in Viet Nam to continue to identify and address their own development problems and pursue their own development path. This volume documents how Viet Nam's leading social-science researchers are approaching these tasks, and how they interpret the changing socioeconomic landscape along the way.

It has been a privilege for IDRC to have supported this research, and to have worked with the Canadian and Vietnamese scholars who have been engaged in responding to this challenge.

Stephen R. Tyler
International Development Research Centre

Preface

Initiated in 1986, Viet Nam's momentous new policy direction has produced dramatic change in the lives of Vietnamese farmers, workers, and their households. This re-direction, called *doi moi* in Vietnamese and usually translated as "renovation," is toward a more open socialist economy.¹

This volume portrays, through the eyes of senior Vietnamese social scientists, the origins and impacts of *doi moi*. The chapters draw on historical documents, census material, and field surveys to study the evolution of current policies, their effects on people in various situations, and the implications for Viet Nam's future development.

The import of *doi moi* was apparent to the Vietnamese authors and Canadian collaborators of this volume when we first began working together in 1991. The researchers at UBC had just received a five-year capacity-building grant from CIDA. One of the first CIDA grants for a project in Viet Nam, this funding enabled UBC to provide English language and librarian training to Viet Nam's NCSSH, and to help that organization gain better access to the international development literature. For the purpose of the latter activity, we formed four teams of NCSSH and UBC scholars.

The teams were concerned respectively with rural development, urban housing, the household economy, and social welfare. They were led by the persons who later collaborated to produce this volume.²

Wishing to go beyond exploring development planning experiences in other countries, we soon decided to approach IDRC for support to study the socioeconomic impacts of the major policy shift being effected in Viet Nam itself.

Renovation's socioeconomic benefits were already showing up in statistics on overall economic growth, in activity observable from the street — bustling food markets and booming private house construction — and in international exchanges where Viet Nam's openness to experimentation and advice was remarkable to outsiders.

¹ The policy of *doi moi* consists of three inter-related fundamental thrusts: a) shifting from a bureaucratically centralized planned economy to a multi-sector economy operating under a market mechanism with state management and a socialist orientation; b) democratizing social life and building a legal state of the people, by the people, and for the people; c) implementing an open-door policy and promoting relations between Viet Nam and all other countries in the world community for peace, independence, and development.

² The individual teams' full research reports, in Vietnamese, are available from NCSSH.

Doi moi was producing noticeable improvements, but was everybody benefiting? What kinds of people were winning most? Who, if any, were losing? What were the negative cultural impacts, if any, of *doi moi*? Were the negative impacts mitigative or an inevitable outcome of moving toward a market economy?

As social scientists, we were interested in probing into the hard-to-count and hard-to-observe patterns of work and family life likely affected by *doi moi*. We wanted to undertake surveys and case studies that would reveal changes in the ways different people live and think about the future, and then to relate our field work findings with other contemporary and historical studies.

We recognized that tracing the policy causes of behavioural and attitudinal change is a notoriously difficult challenge, and we were intrigued by a number of methodological questions: Can national policy be assessed through field research projects conducted in particular locales? How does one distinguish policy causes of socioeconomic change from other possible factors, such as weather disasters, demographic shifts, new technologies, commodity gluts, or global capital flows?

From a methodological point of view, we asked: What is the researcher's role in appraising policy? What methods can researchers use for clarifying trade-offs and identifying values related to policy choices? Should researchers make policy recommendations when information on policy impacts is incomplete or ambiguous?

The above substantive and methodological questions informed the joint proposal NCSSH and UBC successfully made to IDRC in 1992. In a nutshell, we proposed field studies to investigate the impact of *doi moi* in each of the four teams' subject areas, and to undertake meta-research by collectively comparing the teams' methodological experiences.

The NCSSH team leaders, authors of the chapters in this monograph, agreed to take charge of all research activities. They took primary responsibility for determining the research questions, methodological approaches, and analytical frameworks, and took total responsibility for all data collection. The UBC members participated in research design and interpretation of results.

Each of the four teams concurrently conducted, then methodologically evaluated, three successive cycles of research. The first cycle lasted eight months, the second a year, and the third a year and a half. At the end of each cycle, we held all-teams workshops to collectively interpret findings and to assess what had been learned about the effectiveness of the methods employed. The first of these workshops was held at Dalat in June 1993, the second at Yogyakarta, Indonesia, in conjunction with a study tour in 1994, and the final in Bac Thai Province, May 1996. The workshops provided venues for discussing sampling, questionnaire, and analysis designs, and for comparing assumptions and interpretations of findings.

At Dalat, it became apparent that each team was developing a unique approach to its topic area. The rural development team was focusing on policy and practice change, the urban housing team on North-South comparisons, the household economy team on case experiences, and the social welfare team on the values underlying policy.

It also became apparent that the research was proceeding more slowly than expected — in part because the continuous need for translation slowed communication, or because we were continuously sorting out interdisciplinary and intercultural differences. We realized that we did not know enough about each other's approaches to research, nor did we share enough of a common research vocabulary, to immediately begin functioning as four coherent research teams, let alone as one collective project.

We had underestimated the challenges of collaborative policy assessment research. It is difficult enough to deal with the methodological challenges inherent in such research — and even harder to do so in teams composed of different research cultures.

Our disciplinary backgrounds were history, ethnology and economics (the rural development team); sociology and planning (urban housing team); economics, gender analysis, and geography (household economy team); and philosophy, sociology, and welfare economics (social welfare team).

Not only was there much to learn about, and accommodate ourselves to in terms of the disciplinary differences between and within the teams, there was also a gulf between the Vietnamese and Canadian social-science traditions that had to be first recognized, then understood, and finally responded to. The gulf not only involved language and our respective political histories — though these differences were sometimes profound enough — it also was grounded in our respective epistemologies. Whether or not we subscribed to all the tenets of that approach, the Canadian researchers were steeped in detached, reductionistic positivism, whereas the Vietnamese pursued a path in dialectics and data collection oriented toward policy support.

Drawing to a large extent on Marxist/Hegelian categories, Vietnamese social science prior to *doi moi* was strongly oriented to building normative and analytical theories of whole-society functioning and development. It had been intrinsically concerned with the links among the economic, social and political strata. Empirical research tended to focus on whole population (local or national) statistical data that was analyzed to indicate policy accomplishments.

In contrast, UBC's Western social science heritage has been comparatively reductionistic. Methodology has been the central concern. The focus is on achieving validity and efficiency (e.g. through probabilistic sampling) in gathering and analyzing data that shed light on particular issues. The structural conditions of

society that create and frame those issues tend to be ignored, or accepted as inevitable, by Western analytical frameworks. Western researchers have felt freer to be critical of particular policies than their Vietnamese counterparts, though they have often been no more questioning of broad policy parameters.

The nature and importance of our research culture differences, profound but not readily discernible, were beginning to be appreciated by the time of the Dalat workshop. We realized that our planned meta-research on alternative policy assessment research methods could not be as systematic as we had hoped, nor the ends and beginnings of the three cycles as discrete as we had originally expected. It was enough to try to discuss the assumptions underlying the methods and frameworks each team was continuing to develop.

Discussions within and among the teams led to two shared conclusions about collaboration involving different research cultures: (i) to be effective, such collaboration requires considerable personal interaction over time, because personal interaction leads to mutual understanding which facilitates communication;³ (ii) differences not only pose communication challenges, they can also lead to new synergies. In our case, the latter resulted in mutual understanding that enhanced the efficiency of field research (thanks to UBC inputs) and the holistic analysis of findings (thanks to NCSSH theory).

Beyond learning about the general challenges and benefits of interdisciplinary and intercultural research collaboration, we deepened our understanding of the challenges specific to policy impact research. Throughout the project, it was confirmed that these challenges lie in:

- establishing clear definitions for crucial impact categories, such as "equity";
- linking people's daily experiences to abstract categories;
- tracing chains of policy consequences (cause-effect relationships and feedback loops) through complex, large, social systems;
- separating policy effects from changes largely influenced by non-policy factors, such as culture and the fallout of events such as wars that preceded *doi moi*;

³ In the end, NCSSH and UBC formed a deep scholarly relationship that has recently borne fruit in the form of a major new CIDA-funded linkage program: "Localized Poverty Reduction in Viet Nam: Building Capacity for Policy Assessment and Project Planning." During this five-year program, we will develop, test and disseminate participatory methods for local planning and policy research. The other partners in this new program are Université Laval in Quebec, the universities at Thai Nguyen, Vinh, Hue, Dalat and Ho Chi Minh City in Viet Nam. IDRC and the World University Service (WUSC) of Canada are associated institutions.

- determining the social desirability of policies that have conflicting effects (growth and income disparity, material well-being and cultural decay, long-term gain and short-term pain);
- identifying policy contradictions (where policy influences cancel each other out) and synergies;
- generalizing from local in-depth studies to judgments about nation-wide impacts; and
- being useful to policymakers by minimizing time lags and uncertainty.

The substantive findings of our research on the socioeconomic impacts of *doi moi* are presented in the chapters of this book. Taken together, they show that the market forces freed by *doi moi* have produced strong economic growth in Viet Nam during the 1990s. *Doi moi* has created a more productive and resilient economy, and a more optimistic atmosphere. Market principles are now accepted as the basis for remunerating labour, for determining land use, and even for determining public-sector accountability.

The authors found that most people are better off thanks to *doi moi*. The household economy is thriving, rural production is becoming more diversified and better-rewarded, and more and better housing is being produced in the cities. Perhaps most importantly for the long term, Viet Nam is now carefully moving into the future with a deliberate, experimental approach to policy.

There is a downside to *doi moi*, however. It is experienced by those households that lack good health, local job opportunities, capital, access to productive land, or adequate accommodation. For people living in these situations, poverty is not being alleviated. Indeed, for some people, poverty may be worsening. Even in the better-off households, some individuals may be experiencing negative effects in terms of reduced availability and higher costs of formal education, health care, and cultural events, and a poorer quality of working life. But on the whole, while *doi moi* is producing stratification (the more productive getting richer than others) it is not leading to polarization (the rich getting richer while the poor become more numerous).

Doi moi's negatives (or more precisely, the negatives of some policies originally made possible by *doi moi*) are now recognized and are being addressed, the authors note. Like other countries, Viet Nam is wrestling with the challenge of finding the right place for the market. Having rejected policies that made the state the arbiter of production and distribution at all levels, Viet Nam now finds itself having to decide how much leeway to allow the market's invisible hand. The initial enthusiasm for marketization as a panacea is waning, but not for the market playing a major role in making Viet Nam's economy more productive and efficient.

The overall conclusions that might be drawn from the book are: (i) while *doi moi* is creating an enabling environment for entrepreneurship and experimentation, it has not yet led to the optimal mix of policies that can solve such deep-seated problems as inadequate housing for the poor, rapid population growth, or over-exploitation of resources; (ii) while marketization under *doi moi* can threaten education, health, and cultural accomplishments, these can be mitigated through new policy adaptations.

This monograph provides insight into factors that policy analysts now need to take into account as they address the fundamental questions of renovation:

- What should be marketed (land use rights? social services? culture? shares in major state enterprises?)
- How should distribution of state assets (land and factories) be effected? Who should get what rights and responsibilities?
- What should be done for people, such as war widows, who cannot compete effectively in the market?

To deal with such questions, on an issue-by-issue basis, policy advisors will need information from ongoing research — for example, information from monitoring the income distribution effects of new land tenure arrangements that give long-term use rights to individual households, or the differential quality-of-life effects within the household that are created by the market economy's opportunities and pressures.

This book provides an introduction to the complexity of Viet Nam's renovation, and the questions policy advisors and decision makers will long be wrestling with. The book is far from an in-depth study of how life for various Vietnamese people is changing as a result of *doi moi*. Its value, we believe, is in its breadth. With this perspective in mind, we hope readers will find the following pages serve to illuminate the nature of Viet Nam's new policy thrust, the considerations underlying the change, the general socioeconomic consequences, and the emerging development issues.

We express sincere thanks to IDRC and CIDA for supporting our work.

Peter Boothroyd
University of British Columbia
Pham Xuan Nam
National Center for Social Sciences and Humanities

Dedication

This publication is dedicated to the memories of two founding members of the linkage between the National Center for Social Sciences and Humanities of Viet Nam (NCSSH) and the University of British Columbia (UBC). These members imbued our work with warmth, and had a strong commitment to applying scholarly inquiry to policy ends, and to the ideals of intellectual integrity.

Be Viet Dang, former Director of the NCSSH Institute of Ethnology and co-author of this volume's Part I on Rural Development, died in a tragic accident in January 1998. Throughout the research project he lent us his profound knowledge of Viet Nam's varied cultures, a generous heart, and contagious good humour.

Kathleen Gough, a distinguished Canadian anthropologist, managed to work and develop friendships with NCSSH colleagues in Viet Nam during the 1970s and 1980s when Canada-Viet Nam relations were at their lowest ebb. In 1990, she initiated the linkage that generated this work. She succumbed to illness in September of that year, just months before the official beginning of the NCSSH-UBC linkage.

Acknowledgments

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Staff at the NCSSH International Relations Secretariat and at UBC's Centre for Human Settlements provided essential assistance during the research program and the subsequent production of this volume.

Special thanks are also due to the following: Randy Spence and Stephen Tyler of IDRC; Nguyen Duy Thong, Nguyen Van Ku and Dang Anh Phuong of NCSSH; Elizabeth Zook, Karen Zeller, Jennifer Kho and Christine Evans of the Centre for Human Studies (CHS), who provided the final copyediting.



PART I.

**RURAL DEVELOPMENT IN VIET NAM:
THE SEARCH FOR
SUSTAINABLE LIVELIHOODS**

*Pham Xuan Nam
Be Viet Dang
with
Geoffrey B. Hainsworth*



Introduction

Project overview

Since 1986, Viet Nam has been involved in a renovation process (*doi moi*) in order to promote socioeconomic development and closer integration with the rest of the world. A wide range of theoretical and practical problems have cropped up relating to various aspects of national social life, as well as relationships with foreign countries. These have become urgent topics for research and have created heated debates among scholars and policymakers at all levels, from the central level of administration to the localities.

Several research programs have been undertaken on the order of the state, and a number of projects involving scientific cooperation with foreign countries have been carried out. More than ever before, complex realities call for close collaboration between researchers and policymakers. There is also a need for formation of an "intellectual alliance" oriented toward in-depth investigations into the changing conditions affecting the country, and, at the same time, opening the door to the outside world. In this way, Viet Nam can build a strong scientific foundation for continued renovation and consolidation, and can improve the nation's development strategies, policies, and plans with a view to accelerating "economic growth linked closely with social progress and equity, cultural development, and environmental protection" (Government of Viet Nam 1991).

It is in this context that a five-year linkage project was initiated in 1991 between the NCSSH and UBC, with generous financial support from CIDA. Within the framework of this project, alongside three other focal areas, the topic of rural development was originally launched to achieve the following modest tasks: (a) to collect and analyze domestic documents and data on rural socioeconomic development; and (b) to build a bibliography of foreign literature from which some research contributions by Canadian and ASEAN authors — including works on sustainable rural development — would be chosen and translated as reference documents.

Subsequently, since mid-1992, thanks to the initiative and efforts of our Canadian colleagues, a parallel research project received generous financial support from IDRC. This provided favourable conditions for the conduct and evaluation of policy-oriented research, involving both theoretical and practical aspects.

The research objectives of the rural development team can be identified as:

- To enhance available empirical knowledge on the socioeconomic impact of renovation (*doi moi*) with respect to rural development. These findings will also be related to leading theories and rural development experiences in the rest of the world.
- To assess the achievements, identify the problems, forecast key trends of development, and elucidate the scientific foundations for the consolidation and improvement of rural-development policies and plans at the national and local levels.

Research data and materials on the theory and practice of rural development are extremely rich and diversified. Due to constraints of time, manpower, and financial capacity, the research team agreed to focus in particular on the following five subtopics:

1. population and family planning;
2. labour and job creation in rural areas;
3. utilization and management of natural resources (mainly land and water);
4. restructuring of the rural economy, and especially the diversification of agricultural production and development of small-scale industries and handicrafts; and
5. social stratification, hunger eradication, and poverty alleviation.

In undertaking research on rural development, we have done our best to apply the following conceptual approaches:

- systems analysis;
- integrated assessment; and
- comparative analysis (to identify the general and the particular, and to compare Viet Nam's rural development situation with that of other countries).

In terms of the operational schedule, we have undertaken the following tasks:

- to collect the necessary documents and data;
- to select and translate a range of theoretical and empirical research works of domestic and foreign scholars;
- to conduct rapid rural appraisals in a number of localities from throughout Viet Nam; and
- to carry out surveys through questionnaires, along with intensive interviews with selected officials and inhabitants in two communes in the Red River Delta (RRD), and one commune in the northern upland and midland region.

The locations of the three primary research areas were:

1. Phong Khe commune, Yen Phong district, Ha Bac province, which lies between the plains and the midlands. The people in this area are primarily engaged in farm work and practice a traditional craft of making "zo" paper.⁴
2. Tuong Giang commune, Tien Son district, Ha Bac province, located in the RRD plain, where the people do farm work and engage in various activities including small industries, handicrafts, trade, and other services.
3. Tu Ly commune, Da Bac district, Hoa Binh province, which is in the mountainous region (over 500 metres altitude), where four ethnicities of Muong, Dao, Tay and Kinh, are primarily engaged in farm work on terraced fields and on burnt-over land. These people have started to engage in reforestation and tree planting.

Taking part in the field surveys in mountainous areas, in addition to Professor Be Viet Dang, were four researchers from the Institute of Ethnology. Field survey participants in the Red River Delta included Professor Pham Xuan Nam, six researchers from the Institute of Sociology and the National Institute for Sciences and Technology Forecasting and Strategy Studies (NISTFASS) an agency of the Ministry of Science, Technology and Environment (MOSTE).

Professor Hainsworth provided the team with a large number of books and articles, including his own valuable works and those of other foreign authors on rural development. He also visited many rural localities, and has given several informative seminars to the team on sustainable development theories and ecological economics.

The annual research results of these studies were included in reports and papers delivered at 12 project meetings and workshops in Vancouver, Bangkok (Thailand), Hanoi, Ha Long Bay, Da Lat, Do Son, Nha Trang; Jakarta, Puncak, Semarang, and Yogyakarta in Indonesia, and at the final workshop in Nui Coc in 1996.

⁴ "Zo" paper is made from the bark of a local species of tree.

Chapter 1.

Some theories of rural development in recent decades: lessons from other countries' experiences

The issues of agriculture and rural development, and their interaction with industry and urban development, have long received special attention from prominent theoreticians in the economic and broader social-science literature around the world.

In the post-World War II era, particular mention must be made of at least three prominent theoretical schools that have been especially influential, and which differ significantly in regards to the key issues and relationships between agriculture and industry in the process of economic development.

The role of agriculture in industrialization

Bruce Johnston and John Mellor (1965) ascertained that a strong and dynamic agricultural sector would be a key factor in supporting industrial development and in promoting a rapid rate of growth for the entire national economy. According to these authors, agriculture has five key roles to play:

1. to supply cheap foodstuffs and raw materials for the urban/industrial sector;
2. to export farm products to earn foreign exchange which could be used to finance technological and material imports for urban and industrial development;
3. to release labour to provide the work force for the industrial sector;
4. to expand the domestic market for industrial products; and
5. to increase domestic savings to be used to finance industrial expansion.

At about the same time, Simon Kuznets (1965) also confirmed the contribution of agriculture to economic growth through commercial transactions. Products would be provided to be used by other sectors within the country or abroad, such as foodstuffs, industrial raw materials, labour, capital, and markets for the industrialization process.

Although these authors highlighted the important role of agriculture, their theories stress the need for structural change, reducing the share of agriculture in gross domestic product (GDP) and in the national work force, and increasing the manufacturing and urban-service sectors. The role of development policy was to facilitate the biggest possible extraction out of agricultural and rural resources to promote industrialization and urbanization. In terms of the process of development

within the agricultural and rural sector in the industrialization process, these theories provided little or no insights as to how this should be accomplished. Similarly, the publication *La Grande Encyclopédie Française* (1986) asserts that: "The industrial revolution is accompanied by a general urbanization and the gradual death of rural civilization."

According to Professor Hainsworth's writings (1992), the Western orthodox economic theories, based on the development experience of Britain, other European countries, and North America during rapid industrialization and urbanization (from approximately 1776 to 1973), typically and too simplistically assigned to agriculture the role of "Cinderella" or servant to the pampered "ugly sister" demands of urban and industrial expansion.

"Big leap" into industrialization and urbanization

The most well-known representative for this school of thought is W.W. Rostow (1960).⁵ In his book, *The Stages of Economic Growth*, he asserted that Western countries, and in particular the United States, have attained such a high level of development that their experience should become the model for others to follow. All countries and peoples in the world thus should, in effect, construct schemes to make their economies as identical as possible to the United States. According to Rostow, the development of an agricultural society in an industrial, and then a "post-industrial" society, should be conducted simultaneously according to four approaches: economic, spatial, sociopolitical, and cultural — industrialization, urbanization, internationalization, and Westernization. Obviously, in Rostow's theory, there was no clear perception regarding the complex role and process of agricultural and rural development, and especially how this should apply to developing countries.

Somewhat similar to Rostow's ideology, but more restrained, were the recommendations of several Western experts writing in *A Future for European Agriculture* (Bergman et al. 1970). They also tend to minimize the role of agriculture in the national economy. In their opinion, agriculture in Europe is "essentially directed toward food-production." Therefore, the only way to maintain economic growth is to reduce substantially the work force in agriculture. This is a frequently encountered viewpoint among a wide range of authors.

As a matter of course, the proportionate reduction of the work force in agriculture, and the increase of the work force employed in industry and services, is an inevitable trend in countries undertaking industrialization. However, the continuing "five key roles" of agriculture should not be forgotten. Nor should it

⁵ Rostow was appointed Minister of State by President Kennedy in 1961, and remained a close advisor to President Johnson on issues relating to Viet Nam until 1967.

be assumed that one can bypass stages in order to make a leap or accomplish a "big push" from being a predominantly agricultural country to becoming an industrial economy. It should also not be forgotten that, in the European countries, as well as in North America, the process of industrialization occurred over centuries. England started its industrialization in the late eighteenth century, followed by France and the US in the 1840s or 1850s, and Germany, Italy, (and Japan in Asia) in the 1860s.

There is another aspect of this early industrialization experience that is not often mentioned. Based on their industrial techniques, the advanced industrial countries pursued a flagrant policy of colonialism, or a more subtle policy of economic domination (neocolonialism). This was designed to induce the less developed, colonial and other dependent countries not only to supply foodstuffs, cheap raw materials, and labour at minimum cost, but also to serve as outlets for their surplus manufactured commodities during the process of industrial development.

It has only been since World War II, and especially since the 1960s, that some countries have been able to take advantage of their position as latecomers (particularly by virtue of the modern scientific-technological revolution, and their favourable geo-economic and geo-political conditions). Therefore, some countries and territories in East Asia, Latin America, and the Middle East have been able to achieve the status of "newly industrializing countries" (NICs) within intervals as short as 30–40 years.

Due to a lack of proper attention to rural and agricultural development during the industrialization and urbanization process, the socioeconomic panorama and performance of these countries has not been so rosy. In particular, there have been several negative repercussions caused from bypassing industrialization policy in many underdeveloped or developing countries in Africa, Asia, and Latin America. In many of these countries, policymakers thought that by making an "outright leap" to industrial development (based on Western capital, technology, expertise, and management methods), they could quickly escape poverty and backwardness, and attain the status of a modern, prosperous, industrial civilization.

The outcome of such development policies has often been just the opposite of what was intended. The appropriate balance in agricultural/industrial, and rural/urban, development have been abruptly distorted and disrupted. Endemic shortages of foodstuffs have often occurred, and industry has been deprived of the necessary endogenous factors for development. In the meantime, streams of people have surged into towns and cities, crowding into slums, leaving behind a destitute, miserable countryside. Poverty does not decline in such a disruptive "transition," but only increases and becomes more hopeless, creating an array of virtually insoluble social contradictions, miseries, and conflicts.

Harmonious links in the development process

Particular mention must be made in this section to E.F. Schumacher (1917–77), a British economist and a leading representative of this ecological, balanced-growth, and people-centred approach. In his major work *Small is Beautiful* (1973), he expressed the belief that, for genuine economic development to be achieved, “the central concept of wisdom is permanence” (p. 30). According to Schumacher, “an entirely new system of thought is needed, a system based on attention to people, and not primarily attention to goods” (p. 70). In order to realize this new approach, adequate attention must be paid to agricultural and rural development, specifically in the developing countries where the majority of people still live in rural areas, and where the largest share of the social work force is in agricultural occupations.

Without negating the reasonable elements put forth by Johnston and Mellor (1969) and Kuznets (1965) on the role of agriculture as providing the foundation for urban/industrial development, Schumacher outlines a more profound viewpoint, in which agriculture fulfilled three additional fundamental tasks: (i) to keep man in touch with living nature; (ii) to humanize and ennoble man’s wider habitat; and (iii) to bring forth the foodstuffs and other materials which are needed “for a becoming life” (*ibid.*, p. 105). It would be a mistake, however, to conclude that Schumacher was opposed to industrialization. In fact, he only disagreed with an industrialization policy being achieved by relentlessly “squeezing” agriculturalists and the rural resource base. On the contrary, he advocated a program of balanced development between industry and agriculture, and saw the potential for industrial achievements to make rural people’s lives less arduous and their livelihoods more productive, secure, and sustainable.

Historical realities have shown that, with the exception of a few territories and city-states such as Hong Kong and Singapore, all the existing “dragons,” such as South Korea and Taiwan — and the would-be Asian dragons like Malaysia, Thailand, Indonesia, and more recently China — have paid special attention to agricultural and rural development.⁶ This is not only viewed as building an essential foundation for industrialization and urbanization, but also as a key sector of concern in a long-term strategy for maintaining sustainable economic development for their countries.

Of course, not all countries can hope to achieve an easy and harmonious equilibrium in development between agriculture/rurality and industry/urbanity from the outset, or during the course of “struggling to become dragons”. Each nation must solve its own particular problems and build its development on its own distinctive ecological, social, cultural, and political arrangements.

⁶ “Dragons” refers to newly industrializing countries (NICs).

Chapter 2.

The ups and downs of Vietnamese agriculture and rurality before renovation

Rapid growth of agriculture following land reform

Until the mid-1940s, Viet Nam remained an extremely impoverished and backward agricultural country. Over 90 percent of the Vietnamese population lived in the countryside, but nearly 60 percent of peasant households did not own even "one inch of land." The indigenous landlord class, which comprised roughly 2–3 percent of the population, owned over 52 percent of the farmland in the whole country. This imbalance was in addition to the hundreds of thousands of hectares of fertile farmland in the hands of French plantation owners. Due to the lack of land, the poor peasants had to work for the landlords, or to lease land from them and pay a land rent equal to around 50–75 percent of the total crop. In order to survive the lean months and the catastrophes of life they also had to burden themselves with loans from the rich people at exorbitant rates of interest.

Immediately following the August 1945 revolution, which led to the founding of the Democratic Republic of Viet Nam (DRV), French colonialists sought to stage a comeback. In the conditions of the protracted resistance war, the DRV government could not undertake any profound socioeconomic reforms in the countryside. It did, however implement a few policies such as the temporary allotment of public land and ownerless land (almost all former French plantations) to poor peasants, and it also took steps to reduce land rents and loan interest rates for tenants in the free zones.

In 1954, with the liberation of North Viet Nam, a major land reform was carried out. During the course of land reform between 1955–1957, the government distributed 810 000 hectares of farmland, formerly owned by landlords or in French plantations, to 2.1 million peasant households, thus realizing the revolutionary motto "land to the tiller."

During this period, the DRV National Assembly also adopted a set of policies to promote agriculture, with the following main objectives:

- to guarantee land ownership to the peasants;
- to permit free engagement of the work force;
- to promote traditional handicrafts;
- to protect and encourage prospering households; and

- to develop various forms of mutual aid and cooperative endeavours in the countryside.⁷

With the ownership of land guaranteed, and inspired by the policies mentioned above, millions of peasant households made their best efforts to improve production, and to speedily rehabilitate northern agriculture, heavily ravaged by nine years of war. This resulted in impressive all-round improvements in development and an unprecedented rate of output growth. According to figures from the General Statistical Office, in 1959, the North produced 5.7 millions tonnes of food (paddy equivalent), more than doubling the total output of 1939, which had been the record year of food production before the war. From 1955 to 1959, the total value of agricultural output rose by an average 11.2 percent per year. Average per capita food production was 278 kilograms in 1955, rising to 367.2 kilograms in 1959 (General Statistical Office n.d.). These were, in retrospect, the years of highest growth for Vietnamese agriculture, the "golden era" of the peasant household economy.

Agricultural collectivization

For a long time, the real motivations behind the record growth rate in the rural economy following the land reform were not thoroughly researched, analyzed, or understood. Stemming from a simplistic perception of socialism, and a dogmatic skepticism regarding "small-scale production which, daily and hourly, unceasingly gives birth to capitalism and the bourgeoisie in a spontaneous manner and on a wide scale," the main efforts of the theoreticians and policymakers at this time were aimed at stalling the "class differentiation" in the countryside.⁸ They were also justifying bringing the peasant masses immediately into collective farming, without giving them time "to ponder on their own piece of land" as was recommended by the founders of Marxism (Phuong 1960).

By issuing and enforcing a wide range of ideological and organizational measures, combined with a preferential policy in the economy and finance toward the units of collective production, the localities in the North managed within a short period of time (mainly from late 1959 to late 1960) to bring 85.4 percent of all peasant households and 68 percent of total farmland into low-grade cooperatives of agricultural production.⁹

⁷ Resolution of the Eighth Session, Democratic Republic of Viet Nam National Assembly First Legislature, 1955.

⁸ This was Lenin's argument in 1919; but in 1921, when shifting to the new economic policy (NEP), Lenin changed his argument.

⁹ Low-grade co-ops were set up by pooling the land of peasant households for collective production, and output was distributed mainly in accordance with the number of labour work points, and partly with the contribution of land to the co-op.

The results of rural reorganization were taken as "convincing evidence" of the triumph of collective farming in the countryside. But what was not generally mentioned was the decline of output by over 1 million tons of food, from 5.7 million tons in 1959 to 4.69 million tons in 1960. If questions along these lines were raised, the answer would be that this was a normal phenomenon to be expected as part of a revolutionary transformation from individual to collective production, one which could largely be attributed to the "semi-socialist" character of the low-grade agricultural cooperatives.

Hence, the logical conclusion was drawn that the process of raising low-grade agricultural cooperatives to high-grade ones should be accelerated. That is to say, there should be an early abolition of the distribution of the fruits of land and the renting of draught animals from the co-op members, and a swift realization of high-grade collectivization of the peasants' land, livestock, and labour. The peasant households were to be allotted only 5 percent of land for their "subsidiary economy."

As a result of several campaigns staged between 1961 and 1965, over 90 percent of all peasant households in the North joined cooperatives, of which 72 percent were members of high-grade cooperatives. Also in this period, the state capital investment in agriculture and rurality increased nearly fourfold compared to the previous five years. The construction of many irrigation works was completed, ensuring water supply to half a million hectares of crop area. The reorganizing of farmland, and the building of schools, infirmaries, and kindergartens in the countryside, were all stepped up. But, in none of these five years did the production of food and foodstuffs attain the levels of 1959.

For the 10 subsequent years (1966–1975), as the realities of the anti-US resistance war became increasingly fierce, the Northern agricultural cooperatives energetically mobilized manpower, food and foodstuffs for the front, making a worthy contribution to the cause of safeguarding the North, liberating the South, and unifying the country. But, in terms of economic efficiency, the cooperatives' production kept declining, and the returns were not commensurate with the pains taken by the peasants, and the investments made by the state in capital projects, materials supply, and new techniques applied in agricultural and in related rural development.

It is noteworthy that income from the collective economy, which was now conducted on 95 percent of the cooperative farmland, made up no more than 30–40 percent of co-op members' total income. In the meantime, the household subsidiary economy, conducted on only 5 percent of farmland with part-time labour, provided the peasants with 60–70 percent of their earnings. This paradox plagued the minds of many people, peasants, and planners alike. However, the war, and the state subsidies supported by aid from fraternal and friendly countries, worked to obscure

the real cause of the low efficiency of the agricultural cooperatives molded after the outdated organizational and managerial model.

At this time, analyses by policymakers and leading scientific researchers again led to a conclusion that, because of the small scale of agricultural cooperatives, conditions were not conducive to a redivision of labour in the direction of centralization and specialization that would promote enhanced production. Thus, under the 1976–1980 five-year plan, a campaign to reorganize agricultural cooperatives in the direction of large-scale socialist production was launched all over the North, to extend the scale of agricultural cooperatives from village- to commune-size. Specialized teams were formed in the cooperatives, each controlling a production link such as soil preparation, seed breeding, irrigation, and control of pest and plant disease, with the remaining links entrusted to basic work teams.

By 1980, the average scale of an agricultural cooperative, in terms of household numbers and farmland acreage, had increased by 2–2.5 times compared to 1975. State investment in agriculture during this five-year plan also made up a considerable proportion (about 19–23 percent) of total capital investment in the field of material production. In spite of these efforts, however, agricultural production remained at a standstill.

An investigation in 1979 of 307 cooperatives in the Red River Delta revealed the following relationship: The bigger the scale of a cooperative, the more centralized the management, and the more the production process was split into numerous separated specialized links, the lower the productivity, output, and value of farm products on an average hectare of farmland. Agricultural production stagnated while the population rapidly increased so average per-capita food output in the North went down from 248 kilograms in 1976 to 215 kilograms in 1980, the lowest level ever.

Eventually, after more than 20 years of existence, confidence in the model of agricultural cooperative in the North sank into a deep crisis. But, instead of a timely renovation of this inefficient system, the same model was again applied to the South following the reunification of the country, without adequate attention being paid to the special conditions prevailing there.

As a matter of fact, through two resistance wars, the revolutionary administration in the liberated zones of the South had allotted over 1 million hectares of farmland taken from landlords to the peasants. From 1970, to “win the peoples’ hearts and minds” in the countryside, the Saigon administration (with US aid) had put forth a “land to the tiller” program. With this program, a compensated dispossession of land was enforced on holdings in excess of 15 hectares per individual in south Viet Nam, and 5 hectares in central Viet Nam, to distribute land from landlords to the peasants in the areas under its control. Thus,

by 1975, most farmland in the South belonged to the peasants. The middle-size peasant farmers had become the central figures in the countryside. The use of technical equipment increased considerably and production of agricultural goods expanded, particularly in the Mekong River Delta, and in the Northeast region of the South.¹⁰

Under these circumstances, the compulsory collectivization of land and labour, and the concentration of peasant-owned farming machines under centralized control after 1975, caused a negative reaction from most of the middle-size peasant farmers. This was the reason that the campaign for agricultural collectivization in the South was enforced so abruptly and painfully. By late 1979, the provinces in the South had established 1 286 cooperatives and 15 309 production groups, encompassing about 50 percent of all peasant households. Barely one year later, most of these cooperatives and production groups had disintegrated, and the rest existed only *pro forma*, not as real productive units.

The shortcomings and errors in the reorganization of agricultural cooperatives in the North, and the impatient collectivization in the South, brought about a severe stagnation and deterioration in agricultural production throughout the country. From 1976 to 1980, Viet Nam had to import 5.6 million tons of food. As agriculture accounted for nearly 50 percent of GDP, and as over 80 percent of the population were living in the countryside, any deterioration in agriculture and disturbance in the rural sector was bound to have a significant negative socioeconomic impact on the whole country.

In general, the process of agricultural collectivization in Viet Nam from the late 1950s to the late 1970s was not a normal process stemming from the aspirations of the peasants, or in response to the necessary requirement of "the elevated socialization level of the productive forces." It encroached on the principles of voluntarism, democratic management, and mutual benefits of the civilized cooperatives. It violated the most important motivation for production development, that is it worked against the working peoples' vital vested interests.

Policy readjustment vis-à-vis agriculture and rurality

Faced with an impasse in the reorganization of agricultural cooperatives in the North, the impediments in the campaign for agricultural collectivization in the South, and the failure to attain a large number of objectives of the 1976-1980 plan under the guiding principle of "giving priority to heavy industry development," the Sixth Plenum of the Viet Nam Communist Party Central

¹⁰ By 1974, 186 000 machines had been imported into the South.

Committee (fourth convocation, September 1979) decided to readjust some key socioeconomic development policies. With regard to agriculture and rurality, recognizing the objective existence of a multisectoral economy (including state, collective, and individual economic units), the Plenum advocated encouraging individual initiatives in the household economy. This was achieved by expanding the right to free circulation and exchange of farm products, so as to promote agricultural production and a more dynamic rural development.

In support of this approach, the experience of the "household contract," initiated by the peasants themselves in some cooperatives in Vinh Phu from 1967–1968 (which had been severely criticized at the time, but which was nevertheless surreptitiously taken up by other cooperatives in Hai Phong from the late-1970s), was now accepted by the Party Secretariat. It was used as a model for systematization and propagation for the entire country under Instruction 100 (13 January 1981), or the "Product contract to the working people and groups" (abbreviated as "Contract 100").

The driving force of Contract 100 was that the peasants (in fact, the co-op member peasant households) were given back the right to control some of the links in the farm production process, especially those related to the end product. These were the three links of planting, caretaking, and harvesting. The five remaining links of soil preparation, seed breeding, irrigation, pest control, and crop protection were left under the control of the cooperatives. Even though only partly liberated, this reform alone was sufficient to stimulate the peasant households to invest more funds, materials, and labour into more intensive farming on their contracted land, striving to maximize their surplus output over and above the quota fixed by the cooperatives. At the level of macroeconomic management, a nascent readjustment of the investment structure in the national economy shifted from "giving priority to heavy industry development" to "taking agriculture as the foremost front," in accordance with the resolution of the Fifth Party Congress (March 1982), which also created further favourable conditions for agricultural development.

The immediate result was that, in the 1981–1985 five-year plan, food production averaged 16.9 million tons per year, compared to 13.4 million tons during 1976–1980. However, after about five production crops had created great enthusiasm, the original dynamic of Contract 100 began to wane. The main cause of this falling off was that the old perception of agricultural collectivization had not been fully revised and replaced. Though condemned in principle, the centralized, bureaucratic, and subsidy-allocation mechanisms in macroeconomic management, had not been significantly changed in practice. Thus a tendency remained among the co-op managerial boards to keep raising the contract quota

level and, at the same time, to retake control of several production links in the name of "fighting against white [liberal] contract."

An investigation conducted in 23 cooperatives in Thai Binh province in 1984 showed that, for the first five crops harvested after Contract 100, the output in excess of contract quotas was generally 25–35 percent. This excess output was received by the peasant households (Tho 1980, p. 24). Later on, because of rising contract quotas, the peasants' share kept diminishing, and their vested interests once again were violated. The incidence of co-op members giving back contract land to the cooperatives became widespread in the North. Meanwhile, in the South, the readjustment of land by way of mixing and equating shares indiscriminately in order to "basically complete agricultural collectivization" had, by the end of the 1981–1985 plan, once again precipitated a crisis.

At the same time, the errors that had accumulated after several price readjustments, particularly the serious error in the general readjustment of prices and wages, and in monetary changes, in late 1985, gradually drove the whole socioeconomic situation (which had eased up somewhat from 1981–1984) into a national crisis. Industrial and agricultural production both stagnated, circulation stalled, inflation rocketed to three-digit rates, living conditions were miserable, social vices mushroomed, and public confidence declined. At this juncture, the most pressing demand of life was to find feasible and efficient measures to quickly escape the crisis.

Chapter 3.

The socioeconomic impact of renovation on rural development

To overcome the worsening socioeconomic crisis, the Sixth National Congress (December 1986) adopted as its guideline the comprehensive renovation of the country's economic system. Since then, many institutional reforms have been carried out, of which the landmark for rural development was the Party Politburo's Resolution 10 (April 1988) on "Renovation of management of agricultural economy" (abbreviated to Contract 10). Then came the Politburo Resolution 22 (November 1989) and Government Decision 72 (March 1990) on "Socioeconomic development in mountainous regions", "Strategy of socioeconomic development 1991-2000" (1991), the Land Law (1993), the Labour Law (1994), and several other documents of legal validity that were successively promulgated. The essential contents and effects of the above-mentioned reforms were to:

- a) recognize the objective co-existence of various economic sectors as equal before the law;
- b) return the decision on the use of labour and funds, and the right to long-term use of land, to peasant households, recognized as autonomous economic units;
- c) manage the cooperatives or production groups that still function well by streamlining their management apparatus, and focusing on specific services, such as irrigation and pest control, that individual households cannot undertake effectively;
- d) shift agriculture and rural economy from autarky to commodity production, depending on the characteristics and comparative advantages of each region;
- e) free peasants from selling produce to the state at stipulated prices so that produce becomes regulated by a free market and mutually-consented prices;
- f) increase state investment in major irrigation works, create credit banks to assist needy people with funds and promote agricultural extension work; and
- g) give guidance and assist in expanding education, health services, communication lines, and power networks in the countryside on the basis of "joint efforts between the state and the people."

These dramatic institutional reforms go a long way toward meeting the aspirations of the peasant masses, and have helped create a vigorous dynamic that has promoted a steady rate of improvement in agricultural and rural development over the past 10 years (1986–1995). Food output in paddy equivalents rose from 18.3 million to 27.5 million tons; average per-capita food output rose from 304 to 370 kilograms; average annual rice exports reached from 1.5–1.7 million tons; meanwhile, the total turnover of agro-forest-aquatic exports more than quadrupled. Considerable progress was registered in the countryside with regard to cultural and social aspects. In 1994, for example, 98.8 percent of all communes had elementary schools, 76.6 percent had secondary schools, 92 percent had infirmaries. And, of all rural households, 53.2 percent used electricity, 12 percent had solid houses, and 45.5 percent had semi-solid houses (see Table 3). These achievements in improving agriculture and rurality have ensured food safety for the whole country, and have increased national food reserves, export turnover, and rates of capital accumulation within the domestic economy. This, in turn, has contributed to stabilizing the macro-economy, curbing inflation, improving economic structure, and promoting industrial and service development.

However, due to the very low starting point, worsened by decades of war and mismanagement, Viet Nam's level of agricultural and rural development is still relatively retarded in several important respects, in comparison with other countries in the region. According to some economists' calculations, in 1992, on the basis of 23 general socioeconomic-cultural criteria (such as per-capita GDP, ratio of agriculture in GDP, literacy rates, infant mortality rates, ratio of people with access to safe water, ratio of households using electricity, and apparent per capita daily calorie intake), the level of rural development of Viet Nam is about 30 years behind Taiwan, 25 years behind Malaysia, 20 years behind Thailand, 12 years behind China, and 8 years behind Indonesia (Quy 1996, p. 18).

The question therefore arises whether, in the near future, Viet Nam can expect to narrow the gap between itself and other countries in the region with regard to the level of economic development in general, and of agricultural and rural development in particular. Considering the requirements for a rapid, efficient, and sustainable development of agriculture and rurality, what is Viet Nam's current situation, and what must Viet Nam do to solve the fundamental and pressing problems that are emerging? For instance, how can population pressure on the limited natural resources be reduced? How can sufficient employment be created for a labour force that already has high redundancy and is annually increasing, especially in the countryside? How can we attain high rates of economic growth using market mechanisms, and at the same time secure

social equity, cultural development, and environmental integrity in the rural areas and throughout the whole country?

There are no easy answers to these questions. The analysis below of the socioeconomic impacts of renovation on some key aspects of rural development has but a modest objective.

Namely, it contributes to assessing the real state of things, to detect some of the contradictions that have emerged, to forecast development trends, and to offer some possible solutions.

Population and family planning

The concept of sustainable development requires, first of all, an understanding of the long-term interrelationships and interactions between population size and the management and utilization of the country's natural resources. Ascertaining and fulfilling the requirements of sustainable development are essential to securing and improving the quality of life for both present and future generations.

Over the past few decades in Viet Nam, thanks to implementation of the population-family planning program, the natural increase rate (NIR) has gradually declined, from 3.8 percent in 1955–1960, to 3.0 percent in 1970–1975, to 2.3 percent in 1985–1990, and to just over 2 percent in 1994. Compared with several countries in the region, however, Viet Nam's NIR is still high. During 1985–1990, the NIR of South Korea was 1.0 percent, China 1.17 percent, Thailand 1.7 percent, Indonesia 1.9 percent, the Philippines 2.4 percent, and Malaysia 2.6 percent, compared to Viet Nam's 2.3 percent (*État du monde*, 1994). Particularly in the countryside, where nearly 80 percent of the population lives, the NIR still is around 2.3–2.4 percent per year. Consequently, there are an additional 1.2 to 1.3 million people in the countryside every year. This has served to further reduce the per capita natural land and arable land acreage, which is already relatively small in Viet Nam.

In 1992, the total population of Viet Nam was four times that of Malaysia, although the land areas of the two countries are comparable. Viet Nam's population was 1.2 times that of Thailand, which has a land area that is 155 percent that of Viet Nam. Even China, which has the largest population in the world, has a lower population density than Viet Nam (China had 128.8 persons/km² in 1992, compared to Viet Nam's 208.7 persons/km²). With regard to average per capita arable land area, Viet Nam belongs to the lowest bracket in the world, with only 0.1 hectare per person in 1993.

While Vietnamese industry remains underdeveloped, agricultural labour is still mostly manual. Productivity in plant cultivation and husbandry are low, and potential rural non-agricultural occupations have not been fully identified or tapped. The low per capita acreage of arable land is a major obstacle to finding

new potential for rural socioeconomic development, and is also a big challenge to the protection of the ecological environment. Therefore, if the NIR cannot be brought down reasonably quickly, the Vietnamese countryside will be locked into a vicious circle: Rapid growth of population leads to a deteriorating environment, resulting in increasingly impoverished people.

Under these circumstances, in conjunction with the strategy of socioeconomic development, 1991–2000 (and further toward 2010), the Vietnamese government advocates consolidating the apparatus for implementing the National Program on Population and Family Planning, the objective of which is to bring NIR down to 1.8 percent by 2000, and down even further, to about 1.2–1.3 percent in 2010 (Council of Ministers Ordinance, 1991).

Vietnamese demographers have offered a range of alternative feasible population forecasts, the medium alternative of which is shown in Table 1.

Table 1. Report on population and labour resources 1995 to 2010.

	1995	2000	2005	2010
In the whole country (1 000 persons):	72 727	79 635	86 374	96 067
In the countryside:				
a. Total (1 000 persons)	57 815	61 327	63 361	63 946
b. Ratio rural/total (%)	79.5	77.0	73.3	68.0

Source: Report on Population and Labour Resources. 1996.

It will still require a major effort for Viet Nam to find effective means so that actual numbers stay within at least these “medium alternative” targets. Although the Vietnamese government has had a population and family planning policy since 1961, for a long period it has not been consistently implemented. The education and propagation work on population has been limited mainly to urban areas and to some peripheral areas. In most rural areas, where a high NIR persists, the people have had little access to the necessary information, education, and contraceptive devices.

At times, discrepancies have cropped up between population policy objectives and other important socioeconomic policies, thereby nullifying the population policy. The most remarkable instance of this was the allotment of contract land to peasant households following the Politburo's Resolution 10. Plots of land were assigned on the basis of family size, and in some places even in accordance with ancient village customs, with re-allotment possible at three- to five-year intervals. This induced young people to get married early, to set up separate households, and to have children right away to be eligible for an increased allotment of land. For example, in Ha Bac province in 1994, during preparations for giving the peasant households the right to stable and long-term use of arable land in accordance with Land Law, 30 837 children were counted who were not recorded in the official registry book.

Findings from our case studies conducted in Tuong Giang and Phong Khe communes of the Kinh ethnicity on the plains, and in Tu Ly commune covering four ethnic minorities in the mountainous region, show that the rate of reduction of NIR in the countryside remains slow and unstable. The cause of this demographic instability seems to be mainly attributable to the following factors:

- the infant mortality rate is still high, particularly in the mountainous regions;
- community caretaking for old people who have no children to rely on is not receiving enough attention;
- the level of education among rural people, especially women, is low;
- most married couples want to have both boys and girls, but above all a boy to preserve the family lineage;
- more manpower is wanted for production among some exclusively farming households;
- in the mountainous communities of some ethnic peoples, a crowded family is considered superior; and
- in the areas of Catholic religion, the prevalent belief is that the number of children is predestined by God, and thus nobody should practice family planning.

Having analyzed these findings, we see a need to complement, improve, and concretize a wide range of integrated measures affecting the whole range of economic, social, cultural and organizational arrangements. A more ambitious reform program must be devised and implemented if we are to attain the objectives of the population and family planning program in the countryside for the year 2000 and beyond.

Labour and employment

The primary requirement for ensuring socioeconomic improvement in living standards, both nationally and especially in rural areas, is to create adequate and appropriate employment opportunities for all citizens of working age. It is understandable that the Copenhagen World Summit Conference (March 1995) should unanimously endorse the challenge of job creation and unemployment reduction as one of the three foremost priorities which all countries in the world should strive to achieve in their development strategies from now to the year 2000.

In Viet Nam, during the pre-renovation period, the state and the collectives often assumed the task of providing jobs to all people of working age, with the effect that "everyone had a job, but not everyone fully worked." Thus, low labour productivity and economic inefficiency gradually led to economic stagnation and crisis. Since the start of renovation, instead of subsidizing the creation of jobs,

the state has, step by step, focused on bringing in institutional reforms designed to ensure freedom to engage in production and business ventures for various economic sectors and for all strata of people. At the same time, national employment funds have been allocated to help create jobs, to offer preferential credits to needy families, and to provide vocational training and guidance to young people, so that the people may create jobs for themselves and for others. As a result, about one million new jobs were created every year under the 1991–1995 plan. Despite this achievement, unemployment in urban areas and underemployment in rural areas are still urgent and acute socioeconomic problems.

Rural underemployment has the following salient features: First, the rural work force continues to rise sharply, thus running increasingly counter to the limited availability of arable land. Despite the declining NIR in rural areas in recent years, the work force has been growing by 3–3.5 percent annually because of the explosive NIR in the preceding decades. Furthermore, 75–80 percent of the rural work force still have to find their livelihoods in farm work (or other rural employment). This is the main reason why average arable land area per rural inhabitant and per labourer keeps steadily diminishing. According to 1992 data, the average arable land area for each rural inhabitant in Viet Nam was 1 514 m², while it was approximately 9 100 m² in Malaysia, 6 100 m² in Thailand, 3 100 m² in the Philippines, and 2 800 m² in Indonesia (Rapa Publication 1994; General Statistical Office 1995a).

Second, the average number of days of full-time employment for agricultural workers is very limited. A foreign expert in agriculture considers underemployment to exist if a rural labourer has only 1 hectare of land or less. In Viet Nam, the average arable land area for each agricultural labourer in 1993 was only 3 100 m². Although with multiple cropping the land-use coefficient rose from 1.4 in 1985 to 1.58 in 1993, the average cultivated land area for each agricultural labourer was no more than 0.5 hectares. Thus, the agricultural work force is crowded onto a narrow arable land area, and faces inadequate access to economic opportunities. According to data from a 1993 investigation, only 18 percent of the agricultural work force was employed for more than 210 days per year; the remainder for less than 210 days, of which 21 percent were engaged for only 90 days of a four- to five-hour workday (Quy 1996, p. 52).

Third, while some of the rural work force has moved to urban areas and into other occupations, there is also a labour flow moving the other way into the countryside, so that labour redundancy in rural areas remains high. During lulls in farm work, it is estimated that hundreds of thousands of labourers from the countryside go to cities, particularly to Hanoi and Ho Chi Minh City, to look for jobs. Many rural young people have even gone to mining areas to “seek their

fortunes" in minerals, gems, and gold mining, or to border-crossing points to work as porters for merchants. At the same time, in recent years, about 700 000 people have been laid off as a result of "production chain overhauling" and "managerial apparatus streamlining" in cities and industrial areas, and many of these have gone back to the countryside. This is in addition to demobilized soldiers, returning overseas workers, and repatriated refugees, most of whom also go back to the countryside. This has further worsened the already deplorable conditions of high population density and underemployment in rural areas. In 1994, in the whole country, the ratio of rural underemployed in the local work force was estimated to be around 30 percent, amounting to a total of around 8–9 million people. It is estimated that, by 2010, although the ratio of rural work force will gradually decline in tandem with the industrialization process, the absolute number of people of working age in rural areas will continue to rise: from 31.3 million in 1995, to 34.6 million in 2000, and to an estimated 38.8 million in 2010. The immediate task for the 1996–2000 plan is thus to solve the existing underemployment in rural areas and, at the same time, to create about 600–650 thousand new jobs each year to absorb the new entrants coming into the work force.

Findings from our surveys in the three communes, though not fully reflecting the diversity and complexity of the situation in the whole country, do reveal some possibilities for job creation and for reduction of rural work force redundancy. First, under conditions of limited arable land area, if we rely only on agricultural production, (worse still, on monoculture agriculture), the generation of new employment opportunities will reach a total impasse. Therefore, diversification of plant culture and livestock breeding in the exclusively farming households, and the multiplication of mixed economic households (such as farming combined with small industries and handicrafts, or farming combined with small industries, handicrafts, trade, and rural services), should be given priority in the search for effective solutions. In Tuong Giang commune, 45.5 percent of the redundant work force (apart from the time engaged in agricultural production) were engaged in construction work (carpentry, brick laying), and 36.4 percent in weaving occupation (towels, net cloth). In Phong Khe commune, 70.9 percent of the redundant work force (apart from the time spent in agricultural production), were engaged in paper-making (including the traditional *zo* paper and different kinds of recycled paper), and the rest were employed in services and trade. However, many obstacles were found to lie in the way of expansion of small industry and handicraft jobs, especially the deficiency in funds, knowledge, skills, and, above all, the uncertainty of markets.

Second, in Tu Ly commune, though it is relatively sparsely populated, the average cultivable agricultural land area per inhabitant and per labourer was the

lowest by far in the whole country, while at the same time small industry, handicrafts and service activities were negligible. Therefore, underemployment in the commune was extremely serious. When farm work on the terraced rice fields and burnt-over land had been completed, most of the labourers had to go into the forest to get timber and find other products to sell to supplement family earnings. In the meantime, the policy of land- and forest-lease introduced by the state in the late 1980s, had, by 1994, been implemented in only 2 of the 14 hamlets of the commune. The inertia of the land-lease and forest-lease programs was observed not only here, but also in many other places. Only by accelerating the leasing of land, and by contracting afforestation and forest protection work to individual households — in combination with financial assistance and technical guidance envisaged in Project 327 (a project for greening bare hills and denuded land) — can we hope to help people of various ethnicities put into effect a mixed agro-forestry model, or an agro-forestry-livestock breeding model. These efforts will help to create additional employment, augment earnings, and contribute to restoring the ecological equilibrium of the mountainous regions and the whole country.

Restructuring the rural economy: diversifying agricultural production, and promoting small- and handicraft-industries

The need to transform the rural economic structure has been recognized for several decades, but Viet Nam's rural areas were handicapped for a long time by unexpected paradoxes. Many of these were due to unfavourable conditions and economic management policies that, at that time, had many restrictive, and prohibitive regulations. These contradictions included:

1. The intention was to diversify agricultural production and to develop husbandry into a major agricultural production sector. But the shortage of food led to an excessive concentration on rice and other staples.
2. The intention was to exploit the advantages of each region, to comprehensively develop agriculture-forestry-fishery, and to promote small- and handicraft-industries to meet the needs of the domestic market and to earn foreign exchange through exports. But the government required every locality to be self-sufficient in food, and prohibited the free flow of agricultural products among regions.
3. The intention was to liberate every production factor, to enhance the potentials of labour, capital and economic opportunities for all strata of society. But priority was given to the "widespread development of the public sector, forced by collectivization, [which] denied the autonomous role of the household economy, and discriminated against private and

individual economies" (*Do Muoi: Continuation of the Rural Socioeconomic Renovation* 1993, p. 20).

The effort to escape from those paradoxes began only after the emergence of the popular institutional reforms mentioned above. Thanks to this restructuring, the potentials of the peasants and other economic sectors (and, above all, the efforts of the household economy) have been liberated and enhanced. As a result, agricultural production has been steadily increasing, assuring national food security, and creating conditions for the transformation of the rural as well as the national economic structure. In 1990, agriculture-forestry-fishery accounted for 38.7 percent of GDP, industry was 22.7 percent, and services 36.6 percent. By 1995, the figures had changed to 27.2 percent, 30.3 percent and 42.6 percent respectively. Although during 1990–1995, the share of agriculture-forestry-fishery in GDP fell by over 10 percent, the total value of output of these products grew by around 67 percent.

Meanwhile, the rural economic structure has also been initially transformed, though at a slower pace. A survey of the household economy conducted by the General Department of Statistics for the whole country shows that in 1994, agriculture, forestry and fishery activities accounted for 74.5 percent of total income of rural households; 9.7 percent came from small- and handicraft-industries and construction; and only 15.8 percent from trade and services (General Statistical Office 1995b). Within agriculture, the value share of cultivation (75 percent) and husbandry (25 percent) have remained the same for many years, and have only recently changed slightly, with husbandry increasing from 26 percent in 1992 to 27 percent in 1995. Output of food in paddy equivalents rose from 18.4 million tons in 1986 to 27.5 million tons in 1995, and output of vegetables, beans, industrial crops and fruits also rapidly increased (so the overall composition of agriculture has not shown any major shifts).

The above discussion offers some general comments on the transformation of Viet Nam's rural economic structure over the last 10 years. The results of our case studies add some more detailed information. For example, in Tuong Giang and Phong Khe communes, although most households have contract land for agricultural production, they are additionally involved in small- and handicraft-industries or in service activities. In 1994, the structure of total product values of households in these two communes differed considerably from the overall country situation. Shares of output by sector in Phong Khe commune and Tuong Giang commune were found respectively to be: agriculture: 40.1 percent and 30.2 percent; handicrafts and small industries: 37.5 percent and 40.2 percent; and trade and services: 22.4 percent and 29.6 percent.

What captures our attention is that, when a handicraft or small industry becomes popular in a village, it generally leads to the development of supporting

industries and services. Both paper production in Phong Khe village and textiles in Tuong Giang commune led to demands for carpenters, mechanics, electrical technicians, and several other types of craftsmen bringing forth a network of services in materials supply and product marketing. Thus it was found that "jobs create jobs."

In Tu Ly commune, 95.5 percent of households had been engaged in monocrop agriculture for many years, while many Dao families continue the tradition of shifting cultivation by burning forests to grow corn, sweet potatoes, and manioc to avoid starvation. In recent years, about 15–20 percent of the households have gradually moved from subsistence food production and monoculture to growing crops with higher economic value such as fruits, soybeans, groundnuts, and sugar cane. They also supplement their cash incomes with contracts for forest protection and replanting, in accordance with Project No. 327 and the World Food Programme (PAM) project. In a situation where rice is now increasingly produced in the deltas for the whole nation, and with improvements in transportation, a kilogram of soybeans or groundnuts sold by ethnic people can now be exchanged for 2–3 kilograms of rice — this is much more than could have been produced locally on a comparable area of land. These are the types of factors that have pushed the transformation from monoagriculture to multicropping, reduced shifting cultivation and nomadic settlements, while opening up prospects to replicate the models of agriculture-forestry, or agriculture-forestry-cattle husbandry, at the local level.

From such observations, one can see the impact of the renovation policies in transforming rural economic structures. These have been developed step by step, as follows: (a) from monocrops to multicrop agricultural production; (b) from purely agricultural to diversified occupations; (c) from the pursuit of quantitative targets to qualitative improvements; (d) from self-subsistence to cash crop and commodity production; and (e) from thinking of "economy in kind" to "economy in value-added."

The only major concern is that the process of transformation is taking place so slowly. The reasons for this are numerous, including capital constraints, limited skills and knowledge, difficulties encountered in developing new varieties (of both plants and animals), the weak rural infrastructure (particularly transportation), and the narrow market access, especially from remote and mountainous areas. Among these, two truisms might be highlighted: "the poor lack capital, while the rich lack markets" (Dao 1995).

From the above analysis of some of the main features and causes of economic restructuring in the countryside, some conclusions and recommendations can be made on how best to promote the transformation of the rural economic structure toward greater efficiency.

Management and utilization of natural resources

Very few places like Viet Nam exist in the world, where people call their country "water-land."¹¹ This indicates that land and water have been recognized by the people for millennia as factors closely linked to their lives in four major respects: national territory (geopolitics), production conditions (economics), the enclave of the community (society), and respect for the God-Mountain, God-Water, and/or Land-Mother, Water-Mother, Forest-Mountain Mother (indigenous culture). Building on such ingrained awareness, the need for proper utilization and management of land and water have been clearly defined in the law of the state, in the village conventions of the Kinh people in the deltas, and in the orally-preserved customary law of minority peoples in the mountain regions, where it has even been ennobled as a sacred tenet in folk religion.

Through the turbulent changes of history, the utilization and management of land and water has become ever more complicated. As national statistics show, in 1993, out of a total land area of 33.1 million hectares, 7.3 million hectares were classified as agricultural land, 9.6 million hectares as forest, 1.1 million hectares as specialized land, 774 000 hectares as settlement land, and 14.2 million hectares as waste land (mainly bare hills). In the areas of agricultural and rural development in particular, the utilization of land and water raise the following urgent issues.

Utilization and management of forest land

Over several thousand years of existence, after having developed and used the traditional irrigation-based rice civilization, the Vietnamese people have mainly exploited the lowland areas in the coastal delta strip, and the narrow and level pieces of land in the midlands and mountainous regions. In 1943, forests still covered 67 percent of total land area in Viet Nam, equal to 22 million hectares.¹² But, only half a century later, forests have been reduced to around 9.6 million hectares, or 29 percent of total land area. According to the Food and Agricultural Organization (FAO) statistics, in 1990 the average forest coverage of the world was 31.4 percent of the total natural land areas, while the minimum limit for environmental security is put at 33.2 percent. The forest cover of Viet Nam is thus below the world's average, and much lower than the recommended security level.

There are many causes for this situation, among which the following can be regarded as major. First, fierce wars were waged over 30 years and had their

¹¹ Indonesians also refer to their country as "land and water" because the sea envelopes its 17 000 islands.

¹² According to other estimates, the forest cover in 1943 was 57.5 percent of the total area of Viet Nam, equal to around 19 million hectares.

effect. During the second Indochina war, the US dropped 11.4 million tons of bombs and bullets and 100 000 tons of chemicals on both North and South Viet Nam, destroying about 2 million hectares of tropical forests.

Second, there has been an explosion of population in recent decades, in which the NIR of minority peoples in the highland and mountain regions has been much higher than the national average. Moreover, about 3 to 4 million people have moved from the deltas to the mountain provinces to set up new economic zones. These high rates of population growth (both natural and through migration) have intensified pressure on forest lands. Shifting cultivation and shifting settlements of some ethnic peoples have also been important factors in reducing forest cover.

Third, the mistakes and shortcomings of some macroeconomic management policies prior to the renovation period, and especially the requirement of local self-sufficiency of food in the mountainous regions, gave people a green light to destroy forests to obtain land for food production.

Fourth, the exploitation of timber production by the state farms to meet high annual timber export targets also contributed to forest destruction, as did the cutting of wood for domestic cooking and for house building by local people. There are also periodic forest fires which burn down several thousand hectares of forest land every year.

From 1943 to 1990, Viet Nam lost about 250 000–260 000 hectares of forests annually due to the above causes. The destruction of forests also had serious environmental impacts relating to land and water resources. In recent years, during the rainy season, the level of rivers has often been higher than previously recorded, the volume of water has been greater, and its flow has been faster, creating terrible "sweeping floods" in many mountainous regions, and serious deluges in the deltas. Without adequate forest cover, the hills have steadily eroded, leaving barren stone and gravel in many mountainous regions. Land and sand have been swept away, hollowing the rivers and silting up the reservoirs. During the dry season, many streams dry up altogether, or else the surface of rivers is lowered to levels insufficient to supply water requirements for agriculture, industrial centres, and the basic needs of people in the upper and middle basins. In other instances, salt water intrudes into lower basins, especially in the Mekong and Red River Deltas.

To offset, and hopefully to reverse, these dangerous trends, since 1968 the Government of Viet Nam (Resolution 38/CP, 1968) has launched a campaign of settlement of minority peoples in the North, to reduce the cutting of forest for cultivated land. It has also implemented a policy of land forest transfer to the cooperatives, with the aim of protecting and developing forest resources. However, these policies have only been slowly introduced and have only

partially been accepted into the people's way of life. By 1990, only 324 500 families (with 1 902 800 people) had been permanently settled, and 4.3 million hectares of forest land (of which only 1.5 million hectares remained as forest) had been transferred to the cooperatives, and not yet to individual households (Government of Viet Nam 1991). Thus, in practice, a clear responsibility for local stewardship of forest land has yet to be established. Only in recent years has the situation been gradually improved with the announcement of the Law for Forest Protection and Development (1991), the government decision prohibiting raw timber exports (1991), the implementation of Program No. 327 for bare hills and denuded land greening (1992),¹³ and the Law on Environmental Protection passed by the National Assembly (1993).

The outcome of all these efforts has been that, each year during 1991–1995, about 150 000 hectares of concentrated forests, and 400 million hectares of scattered trees, have been cultivated to supply firewood for local people. The decision to prohibit exports of raw timber has also been partly effective in reducing commercial exploitation under the last five-year plan. The growth rate of new forest cover, however, is thus still below the rate of forest destruction, due mainly to the constraints of capital resources provided under Program No. 327, inadequate settlement funds, the scattered implementation of projects, and the complicated procedures involved in accessing capital resources.

Our survey in Tu Ly Commune shows a situation similar to that in other regions of the country. The transfer of land and the contracting of reforestation to the peasants has proceeded too slowly. By the end of 1994, 53 percent of interviewed families had not yet received land and forest management rights (among which the percentage of the Kinh was 68.7 percent, the Muong 52 percent, the Dao 51 percent, and the Tay 100 percent). Only very recently have two of the 14 hamlets of the commune received land and been issued contracts to protect or grow forests according to Program No. 327, involving an average of 8 000m² per household. In just over a year, these households have planted 200 hectares of high-value trees, including cinnamon, fruits, and other species. However, while new forests are grown in one place, they are being destroyed in others, because the majority of households still have not yet been allocated land for forest management.

Utilization of land and water in agricultural production.

In 1993, Viet Nam had 7.3 million hectares of agricultural land, of which the northern mountains and midland area accounted for 1 293 000 hectares, the Red River Delta 721 000 hectares, the North Central Coast 693 000 hectares, the

¹³ Government of Viet Nam, Decision 327/CP (Sept. 1992), implemented from 1993.

South Central Coast 533 000 hectares, the Tay Nguyen Highlands 573 000 hectares, the North East South 937 000 hectares, and the Mekong River Delta 2 598 000 hectares (General Statistical Office, 1995a).

During the first 14–15 years after reunification of the country, due to food shortages, about 90 percent of the agricultural land was used for grain crops, primarily rice. From 1989 to the present, under the open-market economy, agricultural production has been increasingly oriented toward intensive and multiple crops as well as increased diversification of plants resulting in an increasing food supply to meet both domestic and export requirements. There has been a step-by-step effort to expand the area under vegetables, beans, fruits, and short- and long-term industrial crops.

Over the centuries of development in Viet Nam's agriculture, many measures have been carried out to find ways to expand and improve the irrigation system, combining infrastructure for water supply and drainage, anti-flood measures in the rainy season, and anti-drought and anti-saltwater intrusion measures in the dry season. The experience of these thousands of years in developing Viet Nam's traditional water-rice civilization have been captured in the following words: "First water, second fertilizer, third hard work, and fourth seed varieties."

The irrigation system includes over 3 000 kilometres of dikes along the river systems in the North, which have been continually built, managed, and improved every year to protect the Ma and the Ca River Basins from floods in the Red River Delta. Over 2 000 kilometres of sea dikes have been built along the coastal strip of central Viet Nam to protect the land from saltwater intrusion, especially in the typhoon seasons. As for the Mekong River Delta, because of the typically low level of land, the people are compelled either to be adaptive or to take measures to avoid the consequences of this situation. "To be adaptive" means to take advantage of the high water season to collect silt in order to enrich the soil and wash off salinity from some areas. "To avoid" means to find ways to change the crop time, build low dikes to protect crops in some areas from flood or drought, and reclaim the mangroves to avoid land erosion in areas of new land formation. New water supply and drainage facilities have also been constructed in recent decades. Instead of relying mainly on "Heaven's water," as in the past, as of 1994, 41.3 percent of the water supply to, and 30.3 percent of water drainage from, the country's total cultivated areas (first of all the rice fields) have been provided by constructing irrigation facilities (General Statistical Office 1994).

Along with irrigation, high yield and improved quality crops have also become widespread in many areas. However, the widespread development of new high-yield rice varieties has often led to excessive use of chemical fertilizers and insecticides, with negative impacts on land and water resources. Chemical

fertilizers and insecticides from both domestic production and imports have been increasingly utilized in agriculture in recent years (see Table 2).

Table 2. Chemical fertilizer and insecticide use, 1990–1993, by source.

	1990	1991	1992	1993
1. Chemical fertilizer				
a. Domestic production (1 000 tonnes)	354	450	530	714
b. Imports (1 000 tonnes)	2 122	2 662	2 455	3 028
2. Insecticide				
a. Domestic production (1 000 tonnes)	9	12	11	14
b. Imports (1 000 tonnes)	9	22	24.5	36.4

Source: General Statistical Office, 1995a.

Compared to other countries in the region, the average use of chemical fertilizer per cultivated hectare in Viet Nam is around the median level. It is higher than Thailand and the Philippines, and lower than Indonesia and Malaysia. But the use of insecticides in Viet Nam is relatively high. According to figures issued by Food and Agriculture Organization (FAO), the average payment for insecticide per hectare of land in 1990–1991 was: China US \$25.60, India US \$24.90, the Philippines US \$26.00, northern Viet Nam US \$22.30, and southern Viet Nam US \$39.30 (FAO 1992).

Heavy use of chemical fertilizers can dramatically increase rice yields in the short and intermediate term, but it mineralizes cultivated land and reduces the fertility of the soil over the long term. The insecticides that are used extensively in Viet Nam are often the organophosphorous compounds, many of which leave high toxic residues with harmful ecological effects.¹⁴ These include killing natural predators, as well as fish and shrimp in the paddy fields, and they also adversely affect local people who inhale the chemicals or consume the polluted agricultural products. There can be no hope of attaining sustainable agricultural development from such intensive practices.

Recently, the use of micro-biofertilizer and integrated pest management (IPM) have shown better results, but such methods are being used in only a few localities. Survey findings in the Tuong Giang commune indicate that most households still use composted animal manure and green manure based on traditional practices. This approach does not adversely reduce soil fertility, while assuring relatively high yields from 150 to 180 kilograms per “sao” (360 m²), or 4.5 to 5 tons of rice per hectare. By contrast, in the Phong Khe commune, land, water and air have been alarmingly polluted. The problem is not so much the excessive use of insecticides in agriculture, but rather the dozens of paper-recycling factories (concentrated in Duong O village) which release all their

¹⁴ Examples of insecticides include organophosphates, organochlorines, pyrethroids copper sulfate, zinc, and phosphate.

waste water contaminated with chemicals into nearby canals and rivers, damaging rice, other crops, fish stocks, and the quality of people's lives. Thus, without ensuring that small industrial estates in rural areas are based on proper ecological and environmental protection standards, there will also be no prospect of achieving sustainable development along these lines in rural areas.

Social stratification, hunger eradication, and poverty alleviation

According to Karl Marx (1818–1883) and Max Weber (1864–1920), presumably “the two giants on social stratification theory” (Heller 1995, pp. 20–21), the principal elements leading to rich-poor polarization and social stratification are property, intellect, prestige, or power. These elements are in turn related to the process of labour division, and the splitting of lines and occupations, which are based on “forced production tendencies” in society. It may be added that the above causes of social stratification do not so readily operate in a natural, autarkic economy; they become a dynamic for stratification of income and living standards only in a market economy. That is to say, they depend on the ability to use property, intellect, prestige, or power to generate low or high profitability. In other words, property, intellect, prestige, or power must be turned into market capacity.

In Viet Nam, before renovation, the dogmatic cognizance of “class differentiation” which would necessarily take place in the countryside after land reform, precipitated a campaign for agricultural collectivization, accompanied by the imposition of a “centralized, bureaucratic managerial mechanism” and “an egalitarian distribution principle” on the cooperatives. All this stagnated production, and thus rendered social stratification in the countryside almost negligible. But, since Viet Nam has shifted to a market-oriented economy, rich-poor polarization and social stratification have become clearly prevalent in both urban and rural areas.

“Rich” and “poor” are relative concepts, indicating the difference in income and living standards between various strata of people in a country during a given period of time, and it is difficult to offer a uniform criteria of rich and poor to apply to all countries and to different periods of development. According to concepts used by the World Bank and the Environment and Social Commission for Asia and the Pacific (ESCAP) since the 1980s, the poverty line of the developing countries has been determined by the cost of foodstuffs essential to preserve life at an average level of calorie intake around 2 100–2 300 calories per day, per person. Thus, Indonesia, in the early 1980s, managed 2 100 calories, and in 1990, China managed 2 150 calories.

In 1993, the Viet Nam General Department of Statistics (VGDS) set a calorie intake of 2 100 calories per day per person as the poverty line.

Considering costs in different regions for the consumption of basic food and foodstuffs, monthly per capita income to meet this standard should be 50 000 VND in rural areas and 70 000 VND in urban areas. In this way, rural households were classified by VGDS by average monthly per capita income as follows:

- a) under 50 000 VND for "poor" households (and under 30 000 VND for "very poor");
- b) 50 000–70 000 VND for "lower middle";
- c) 70 000–125 000 VND for "middle";
- d) 125 000–250 000 VND for "upper middle"; and
- e) from 250 000 VND upwards for "getting rich."

A rich-poor investigation conducted by VGDS in the late 1993, covering 92 732 typical households in the whole country, revealed average per capita monthly incomes and the percentage of different types of rural households in 1993 as outlined in Table 3.

Table 3. The results of a rich-poor investigation in Viet Nam, 1993.

Classification	Average Income (VND 000)	Percentage of households
Getting rich households	429 800	2.29
Upper-middle households	173 530	13.69
Middle households	96 310	38.67
Lower-middle households	61 410	23.21
Poor households	39 280	22.14
– of which, very poor households	(25 210)	(4.58)
All households	94 440	100.0

Source: General Statistical Office 1993, pp. 8–10.

Thus, in the whole country, "getting rich" households made up only 2.3 percent; "upper middle and middle" households 52.4 percent; and "absolutely poor" households 22.1 percent, of which "very poor" (food deficient) households represented 4.6 percent. If lower-middle households were taken to be "relatively poor households," poor households, including both absolutely and relatively poor in the Vietnamese countryside, would account for 45.4 percent. Comparing the average incomes of the "getting rich" (top 20%) to the "poor" (bottom 20%) in rural areas, the ratio was 5.5 percent.

Obviously, social stratification in terms of both household incomes and living standards is an inevitable outcome of the process of shifting to a market economy. In Viet Nam today, land is still regarded as being under "all-people ownership," and the peasants enjoy the right to stable, long-term use of land (not exceeding the ceiling set for each region). Moreover, the market economy is still under state management and regulation, so that social stratification is basically not due to the "expropriation and pauperization of the majority" of poor people to concentrate wealth in the hands of a minority of rich people. The present social

stratification is essentially due to the renovation policies, under which a portion of the population (thanks to favourable conditions regarding funds, labour skills, knowledge, and experience) is able to work harder and create new production and business activities. They can, therefore, generate higher incomes and enjoy higher living standards, while the socioeconomic situation of many other people is slow to improve, has stagnated, or is even going backward.

Compared to other countries in the region, the ratio of absolutely poor households in Viet Nam is fairly high. In 1990, it was 10 percent in China, 15 percent in Indonesia, 16 percent in Thailand, 21 percent in the Philippines; while in Viet Nam in 1993 it was over 22 percent. However, from 1987 to 1993, the ratio of absolutely poor households declined from 35 percent to 22 percent, and that of relatively poor households from 60 percent to 45.4 percent. On the other hand, in remote, out-of-the-way regions and localities, or those afflicted by natural disasters, the ratio of absolutely poor households went up to 40–50 percent, of which 5–8 percent were very poor (i.e. faced chronic food deficiency for three to six months a year), and these households had to regularly depend on state assistance to meet their basic needs.

The results of our investigation into the causes of poverty among rural households suggest the following main conclusions: (a) 70–90 percent (of all investigated households) said they were poor due to “lack of funds”; (b) 50–60 percent for “having too many children”; (c) 40–50 percent for “lack of knowledge”; (d) 10–30 percent for “lack of land and employment”; (e) 10–15 percent for “accidents or illness”; (f) 5–6 percent for “laziness and being spendthrift”; and (g) 2–3 percent for “social vices” (Center for Population and Labour Resource Studies 1993, p. 17). Thus lack of funds, large family size, and poor knowledge were among the main causes reported for persistent poverty.

Since the start of renovation, particularly during the 1991–1995 plan period, the public authorities at various levels, communities, and mass organizations have sought to implement two tasks to ensure adequate economic growth closely linked with equity and social progress: (a) to stimulate and create favourable conditions for all economic sectors and families to “get rich” in a legitimate manner, as this is considered a necessity for the process of economic growth; and (b) to make the best efforts to eradicate hunger and alleviate poverty, to reduce the gap between rich and poor, and to create social harmony, unity, and stability for development.

Along with a wide range of nationwide measures, such as the programs for population and family planning, and support for job creation, sedentary farming and settlement in mountainous regions, the government has, since 1991, also promulgated several policies directed to hunger eradication and poverty alleviation in rural areas. These include Ordinance 14/CP (1992) on the founding

of agricultural banks to give loans to peasant households for agro-forest-fishery development; Decision 72/CP on the free supply of four essential items (lamp oil, medicine, school paper, and iodized salt) to the mountain people, and Decision 525/TTg (1995) on the founding of banks in the service of poor people, with preferential interest rates and no demand for mortgage collateral. Campaigns to build what were known as "sympathy" school classes, and "loyalty" houses, and to establish credit funds to make loans to poor women at zero interest, have also been initiated by the mass organizations in numerous localities.

The effectiveness of these measures, however is handicapped by a lack of trained working staff, a shortage of funds, cumbersome lending formalities, and rigid debt terms incompatible with the productive cycles of crops and livestock breeding. Above all, the self-interest of the staff of the agricultural banks and banks in the service of poor people are often in contravention of the declared objectives of these banks. That is, the more loans that are given to the poor, the lower the rate of profits obtained by the banks, and thus the smaller the bonuses received by bank staff. Loan disbursements to peasant households have thus increasingly been sidetracked to a lower priority at a number of localities than was originally intended. This is a real obstacle which must be removed as soon as possible in the organizational mechanism for policy implementation.

The results of our case studies point to several common traits in the general situation in rural areas, and, at the same time, also reveal particular attributes in certain localities. In Tuong Giang and Phong Khe communes, for example, thanks to the vigorous development of several small- and handicraft-industries and trade and service activities alongside farming, the average monthly income per capita for most categories of household in these two communes was generally higher than for corresponding households in the country as a whole. A number of households were far advanced, possessing working capital of hundreds of millions of VND, and earning monthly incomes of 2–3 million VND per capita. These include some owners of limited liability contracting companies in Tuong Giang, employing over 300 workers, and about 20 owners of workshops for recycling paper in Phong Khe, each involving 15–20 workers. The average monthly wage for workers in these economic units was about 300 000 VND. The living standards of households in these communes, in terms of accommodation and household appliances, was also notably higher than in many other localities. The main reasons deduced from survey responses for the emergence of so many well-off households in these two communes were as follows: (a) 46–63 percent cited "ingenuity" (engaged in small- and handicraft-industries, trade and services other than farming); (b) 54–56 percent suggested access to "adequate funds"; and (c) 15–29 percent responded that they had an "abundant work force."

In Tu Ly commune, in contrast to the two communes in the plains region, social stratification was almost negligible. There were almost no "getting rich" households; the upper-middle households with average monthly per-capita income of 145 000 VND made up 17.3 percent of the total; 27.3 percent were middle households with 95 000 VND; 25.3 percent were lower-middle households with 57 000 VND; and absolutely poor households with 40 500 VND represented quite a high ratio of 30.1 percent (of which 6.7 percent were food-deficient households). The reasons given as explanations by the poor households were mainly: (a) lack of funds, (b) lack of employment, and (c) lack of skill or information in their occupation, or knowledge other sources of livelihood.

From the above summary of our surveys and analysis, we can suggest some possible solutions whereby government policy and the efforts of other agencies might seek to reduce or remove the main causes leading to poverty. It is to be hoped that through such efforts, Viet Nam can achieve the objectives of eradicating hunger and of reducing the present poor households by 50 percent by the turn of the century, as envisaged in the 1996–2000 socioeconomic development plan.

Chapter 4.

Concluding remarks and recommendations

From our overall assessment of the situation in the whole country, combined with analysis of the case studies focusing on rural development under the impact of renovation in Viet Nam during the last ten years in the selected localities, some summary conclusions can be drawn and recommendations made.

The importance of initiative and innovation in the rural economy

During the revolution, and the wars of resistance, liberation, and national defence, the contributions of agriculture, peasants, and support from the countryside were highly appreciated. However, when the country entered the stage of peacetime economic construction, many policymakers and scholars were inclined to be critical of rural stagnation, agricultural backwardness, and the conservatism attributed to small-production peasants. These factors were seen as obstacles on the road to socialism which required the transformation of agriculture and rural society according to the ideals of promoting large-scale socialist production and building a new rurality.

But, as realities have shown, it was from the countryside, and from the peasants who had inherited and maintained the precious experience of the traditional water-rice agriculture, that the appropriate response came. It was the adaptive skills and creative abilities arising from their village culture (mainly its family values, mutual self-help spirit, and a realistic mind-set), along with a desire to enhance their daily lives, searching for and experimenting with new models of production (surreptitiously, at times) that proved to be more efficient than the model of centralized, bureaucratic cooperatives and its forced egalitarian distribution. Thanks to the efforts of ordinary people, the policymakers were provided with a practical foundation and a model on which to undertake such institutional reforms as were "consistent with the people's aspirations."¹⁵ Agriculture and rural communities thus led the "breakthrough" of the renovation course, helping to overcome the nation's serious socioeconomic crisis, and preparing the necessary premises and conditions for the whole country to switch to a new period of development, that of accelerating industrialization and modernization through a market economy (*Do Muoi: To Continue with Renovation and Vigorous Rural Socioeconomic Development*, 1993, pp. 4-5).

¹⁵ By late 1994, 25-30 percent of peasant households had taken out loans from the agricultural banks, from 500 000 to 1 million VND each on average.

Balancing rural-agricultural with urban-industrial development

While preparations are being made to switch to a new development period, some policy advisors now contend that agriculture and rurality have accomplished their historic mission. From now to the year 2000, and on to 2020, to attain rapid economic growth (about 9–10 percent per year), it is often argued that efforts should be focused on developing industry and urbanity. Above all, development should be concentrated in a few key areas in order to shorten the timespan involved in narrowing the gap in levels of development between Viet Nam and the neighbouring NICs and other industrialized nations.

Holding a different view, in the ongoing process of reform, we think that the Vietnamese economy can only “walk fast and confidently” by using both legs. In order to maintain a balance while accelerating industrial and urban development, agricultural and rural development must be promoted at the same time. Although the ratio of agricultural output to GDP and the proportion of the rural to total work force will gradually decline, agriculture, rurality, and peasant households will still be called upon to play a crucial and innovative role in the development of the national economy.

A foreign economist has calculated that, in the US today, only 3 percent of the total labour force is directly engaged in agriculture, yielding about 2 percent of the total value of GDP. However, there also exists an intricate network, from production to input-output services and supplies for agriculture, which absorbs nearly 21 percent of the total work force, and accounts for about 18 percent of the value of GDP.¹⁶ Moreover, the countryside, with its healthy natural environment, is becoming increasingly attractive to many people who have experienced the pollution and high social and private costs of living in the world’s giant cities. In France, for instance, during recent years, statistical data have shown that in Paris alone, every year about 100 000–150 000 people forsake their urban life to settle in the countryside. Therefore, although in the future most of the countries in the world may seek to reach a high level of industrial/urban development, similar to the US or France today, “the death of rural civilization” will by no means occur, contrary to what *La Grande Encyclopédie Française* predicts.

This is particularly the case for Viet Nam where 80 percent of the population is still living in the countryside, 75 percent of the nation’s labour force is in agriculture, and agro-forest-fishery products make up nearly 50 percent of total exports. Given the requirement for national food security and the expansion of domestic markets for manufactured goods, and in view of the continuing growth of population to an expected 80 million by 2000 (and 135–140

¹⁶ Assessment by Robert Burton, Kansas University (USA). From Quy, 1996, p. 55

million by the mid-twenty-first century), a proper appreciation is needed of the role of agricultural and rural development in the process of industrialization and modernization. In Viet Nam two-thirds of poor families are found in the countryside, with underemployment in rural areas equivalent to 30 percent of the labour force. What happens in the rural sector will constitute an extremely important factor in ensuring Viet Nam's rapid, efficient, equitable, and sustainable development. This must be analyzed and understood from a systems analysis approach, embracing all economic, social, cultural, and environmental aspects.

Population growth and family planning

To attain Viet Nam's development objectives, it is essential to reduce population growth to a rational and sustainable rate. If the NIR in the country and in the rural areas continue at 2–2.4 percent per year, we shall be faced in the not-too-distant future with enormous difficulties in ensuring food security, in generating sufficient jobs, in resolving increasing social and cultural problems, and in protecting the natural environment and quality of life. With such a high NIR, Viet Nam cannot hope to bridge the international gap in levels of socioeconomic development, and may even lag further behind other countries in the region. If we do not curb excessive population growth and resource exploitation, and reduce other detrimental impacts on the environment, Viet Nam may be unable to raise the quality of life for the present generation, and will create insurmountable problems for future generations.

The reasons for Viet Nam's high NIR are diverse and complex and some of the main causes have been described above. It is clear that the population and family planning program cannot be separated from other programs of social, economic, and cultural development. Furthermore, we should not let these programs contradict or nullify each other, as they have tended to do in the past. A decisive solution to the reduction of NIR will require the creation of a willingness in every family to implement the Population-Family Planning Program. This will require an intensive campaign of education and persuasion to elevate people's knowledge and motivation, and to organize various social-economic-cultural programs linked with the objective of birth control. This process should involve all the mass organizations in society to bring family planning information and services safely and conveniently to every town, village, and hamlet.

China's recent experience has shown that more coercive methods can lead to unexpected and negative consequences. While the compulsory policy of "one child to each couple" has quickly reduced NIR in this most-populated country, the mentality of "preferring male to female" still predominates in a segment of

the population, and this has entailed a counteraction, involving the abortion, neglect, and infanticide of female newborns in some rural areas. According to one forecast, by the mid-twenty-first century, the number of males of marriageable age in China could exceed females by 30–50 million. What will happen then?

Job creation and rural development

Along with a reduction of NIR, solutions must be found to the problem of underemployment, which exists for a high proportion of the rural population. There is also a need to find jobs for the annual increase in the work force, which is in the hundreds of thousands. This constitutes a most urgent problem in implementing Viet Nam's socioeconomic development strategy toward the year 2000.

It is impossible to attain fast, efficient, and sustainable economic growth when a considerable segment of the population of working age is sunk in unemployment and severe underemployment, living from hand-to-mouth on odd jobs, and in increasing misery materially, socially, and spiritually. To resolve this problem, it is essential to continue to liberalize labour markets, and to bring into full play the potential energies and talents of all economic sectors, particularly the 12 million rural households. This viewpoint should be institutionalized into a series of wide-ranging policies and measures, such as:

- Provide guidance and support to enable diversification of agricultural production, and rehabilitate the traditional craft villages, expand various lines of small- and handicrafts-industries, and combine traditional technology with appropriate labour-intensive and new skill-intensive technologies.
- Expand and build up the technical and social infrastructure in rural areas (schools, infirmaries, roads, and electric transmission lines), which in itself will absorb much labour, and will create favourable conditions for economic, social, and cultural development in the countryside.
- Continue to implement various programs and projects for re-greening millions of hectares of bare hills, clearing new cultivable land for agricultural production, and promoting the breeding of aquatic products.
- Expand the national fund in support of job creation from various sources, of which the state investment is just an "initial thrust," without returning to the practice of widespread subsidization.
- Create training centres to help rural young people acquire the skills and other qualities needed to find employment in labour markets.

- Encourage mass organizations, non-governmental agencies, and professional associations to generate and promote employment and other income opportunities for their members.

Measures for job creation should aim at promoting development of agriculture, industry, and services in the direction of industrialization, increasing rural incomes and improving living conditions, while limiting the city-oriented migration, thus seeking to avoid excessive urbanization and formation of "metropolitan development poles." This is a trend that many other countries are now trying to discourage through a policy of decentralization.

Restructuring the rural economy

Another efficient means to resolve unemployment and augment incomes of rural people is to facilitate further systematic restructuring of agricultural production and the rural economy. In the past 10 years, under the impact of socioeconomic renovation, a "chain reaction" in the process of rural economic restructuring has occurred, at least in the more efficient economic units. This works as follows:

institutional reform → stimulation of the peasants' dynamics → promotion of production and assurance of food safety → diversification of crop cultivation and livestock breeding + expansion of various lines of small- and handicraft-industries + trade + services → the emergence of several new forms of production and business organization.

In turn, the diversified development of rural professions and forms of production and business organization (households, occupational associations, stock companies, limited liability companies, private companies, and other cooperative forms) have dramatically reinforced the efficient restructuring of the rural economy. In the near future, along with the various links of this "chain reaction," it will be necessary to step up the agro-forest-aquatic product processing industries, adjacent or near to the production areas, to renovate technology step-by-step, to pay attention to expanding and upgrading the rural communication networks, and to find new market outlets for these new products both within and outside the country.

To resolve the employment problem over the longer term, a continuing process of development and transformation in the rural economy will evidently be needed. The experience of the "East Asian dragons" and the "emerging dragons" has shown that it can take several decades to switch from exporting mainly raw agro-forest-aquatic products to exporting mainly manufactured and processed items. For instance, the ratio of processed commodities of South Korea rose from 14 percent of total value of exports in 1960 to 93 percent in 1980, and that of Taiwan from 10 percent to 92 percent, while Malaysia's share of

processed exports rose from 6 percent in 1960 to 61 percent in 1990 (Nguyen 1996, p. 29).

Sustainable development and quality of life

Along with accelerating industrialization and modernization in the new development period, it is evident that careful utilization and management of natural resources have become more critical than ever before. World history has shown that, accompanying 300 years of dramatic technological achievements, industrial civilization and the rapid increase of output and consumption have exhausted many nation's and region's natural resources, and have pumped more pollution into the environment than the previous 10 000 years of agricultural civilization. The present environmental crisis is, in essence, a crisis of development patterns. We must change the style of development, and devise and implement a more careful utilization of natural resources to promote a pattern of sustainable development. This was defined by the Brundtland Commission as "development to ensure that needs of the present generation are met without compromising the ability of future generations to meet their own needs" (WCED 1987).

The comprehensive goal of sustainable development is thus to successfully establish a symbiotic, harmonious, and secure relationship between man and nature, that can elevate the quality of life of both present and future generations within the carrying capacity of a finite ecological environment. In order to establish this ideal relationship between man and nature, the relations between man and man must also be well settled. This requires that we apply a basic systems analysis approach to all economic, social, cultural and environmental aspects, in building a development pattern in which economic growth proceeds hand-in-hand with equity and social progress, representing the highest intellectual, moral, and human aspirations within a country, as well as the world over. As long as a minority of rich people and rich countries see the intensive utilization of natural resource to be the best way for them to reap maximum profits, to satisfy their ever more affluent lifestyles, while a majority of poor people and poor countries are obliged to over-exploit and sell off their marketable resources at minimum prices to maintain bare subsistence, then the goal of sustainable development will remain but a dream. We think that this viewpoint must also be applied to the search for appropriate solutions to problems of pollution and environmental degradation, particularly the erosion of forest land and the deterioration of land and water in the rural areas of Viet Nam.

We should also learn from the success and failures of other countries, and apply the lessons of sustainable ecological agriculture to be found in this experience. And, in particular, we should broaden and modernize our own

experience of the VAC or VACR ecosystem¹⁷, which has many features to recommend it, including:

- It exploits renewable resources and recycles livestock and crop residues for a new production cycle.
- It prevents the degradation of non-renewable resources from soil erosion and soil depletion caused by continuous unsupported cropping.
- It produces a higher quantity, quality and diversity of agricultural products on a sustainable basis for a given unit of land than other methods of production. (Usually VAC output per square metre produces three-to-five times more value of output than one square metre of rice, and potentially can be even more productive.)

Rapid economic growth and social progress

As with many countries in the region, Viet Nam will continue to pursue the objective of achieving rapid economic growth, which is seen as necessarily linked to its aspirations to promote equity and social progress. Many advisors, however, see these objectives as mutually contradictory, or as simply impossible to meet simultaneously. All developing countries have a redundancy of labour and a shortage of capital. Therefore, to stimulate investment, it is often argued that high profitability must be offered to capital, while labour should be subjected to low wages, that is to say a large rich-poor polarization should be tolerated. Some advisors even conclude that widening social inequity is not only an outcome but also a necessary condition or "cause" of rapid economic growth.

Other experts take a more moderate view. Economic growth should be given priority first, to be followed by social equity, and let the poor wait! Under this perception, in countries starting to industrialize, we can only hope to realize social equity three or four decades later. In the first half of the transition period, the majority of people (especially the majority of the rural work force) are destined to experience dire poverty; but then, during the second phase of development, their living conditions may gradually catch up. However, there exist theories and practical experiences which show that some developing countries have managed to attain rapid economic growth at the same time that they are improving social equity.

¹⁷ VAC or VACR are the acronyms for four Vietnamese words: V for *vuon* or garden, A for *ao* or fish pond, C for *chuong* or livestock pen, and R for *rung* or forest. Recognizing the impressive results of the Vietnamese VAC ecosystem for sustainable development, many foreign ecologists have alternatively translated the acronym as: V for vegetation, A for aquaculture, and C for cage.

An examination of Viet Nam's experience during the process of renovation, and with reference to some other-country theories and patterns of agricultural and rural development, would seem to show that:

- a) It is possible and necessary to promote economic growth linked with social equity — that is to encourage people to get rich in a legal manner and, at the same time, to make the best efforts to eradicate hunger and alleviate poverty at each step during the entire process of industrialization and modernization. We cannot afford to wait until a high level of economic development has been reached to begin bringing about social equity, nor should we "sacrifice" social equity for the sake of merely promoting economic growth.
- b) In the process of shifting to a market economy with a socialist orientation, the pursuit of social equity should not only be based on regulation and redistribution of income among various strata of people. What is more important is to continue with institutional reforms to ensure that all citizens, in both urban and rural areas, and particularly those who are disadvantaged or deprived, are able to gain access to some means of production, to benefit from basic education, health care, vocational guidance and training, and to receive assistance in difficult times so that they can fend for themselves and their families. In so doing, we can assist "the poor people to attain self-sufficiency, the self-sufficient people to become well-off, and the well-off people to get better-off; everyone will know how to read and to write, and will practice unity and patriotism" (Ho Chi Minh 1994, p. 287). We should not, however, turn back to the pre-renovation infantile error of exercising social equity by means of egalitarianism or equal distribution of wealth, regardless of the quality, quantity and effectiveness of production, or from an arbitrary estimate of a person's "contribution to the community."
- c) For each period and plan of development, a rational "dose" of balance (as in Hegel's perception) should be struck between promotion of economic growth and the realization of social progress and equity. We should not let these two spheres get in the way by countering or negating each other, but should find ways by which they can support and complement each other. Therefore, in the rural areas, the programs of hunger eradication and poverty alleviation should be interwoven with various other economic, social, cultural development and environment protection programs. These include programs for population and family planning, job creation, economic restructuring,

and efforts to achieve a more sustainable utilization and management of natural resources, as outlined above.

- d) In regard to policies directly related to hunger eradication and poverty alleviation in rural areas, attention should be focused on overcoming the causes of hunger and poverty, of which the two most important are shortage of capital, and a lack of knowledge and skills in production and business undertakings. To resolve these deficits successfully, we should bring into full play the appropriate roles of the state, the communities, and the citizens themselves. The state should focus on the renovation of

Table 1. Some indices of agricultural and rural development, 1986–1995.

	Unit	1986	1990	1995
1. Sown area of crops	mill. ha	8.5	9.04	10.49
2. Sown area of food crops	mill. ha	6.8	7.11	7.97
3. Gross output of food (paddy equivalent)	mill. tons	18.3	21.4	27.57
4. Of which paddy	mill. tons	15.8	19.2	24.96
5. Yield of one paddy crop (per annum)	quintal/ha	27.8	31.9	35.80
6. Gross output of food per-capita	kg	304	324	370
7. Rice exports	mill. tonnes	n.a.	1.62	2.10
8. Gross output of industrial crops	1 000 tonnes			
• Dry tea	1 000 tonnes	30.1	32.2	40.20
• Coffee nut	1 000 tonnes	18.8	92.0	218.00
• Rubber	1 000 tonnes	50.1	57.9	122.70
9. Livestock	mill. heads			
• Buffaloes	mill. heads	2.65	2.85	2.96
• Cattle	mill. heads	2.78	3.12	3.64
• Pigs	mill. heads	11.80	12.26	16.30
10. Afforestation	1 000 ha	n.a.	63.3	165.30
11. Aquatic output (fish hunting, fish and shrimp farming)	1 000 tonnes	690.8	777.8	922.00
12. Agro-forest-fishery export value	US \$ mill.	397.3	1148.8	1 900.00
13. Electricity used	% households	6 (a)	n.a.	53.2 (c)
14. Motor vehicle road to PC office*	% communes	40 (a)	n.a.	87.9 (c)
15. Elementary school	% communes	75 (a)	n.a.	99.8 (c)
16. Secondary school	% communes	45 (a)	n.a.	76.6 (c)
17. Infirmary	% communes	56 (a)	n.a.	92.0 (c)
18. Market	% communes	35 (a)	n.a.	54.0 (c)
19. Solid house	% households	3 (a)	8.5 (b)	12.0 (c)
20. Semi-solid house	% households	20 (a)	37.8 (b)	45.5 (c)
21. Radio cassettes	% households	7 (a)	11.0 (b)	37.3 (c)
22. Television sets	% households	12 (a)	3.0 (b)	21.0 (c)

Notes: (a) Estimated; (b) 1989; (c) 1994

* People's Committee

Sources: Annual statistics 1992, 1993, 1994, 1995; Viet Nam Agro-forest-fishery 1985–1993.

mechanisms and policies, and on organizing their implementation. The communities should bring into play the tradition of "mutual care and assistance" and "let the leaf that is still whole shelter the leaf that is torn" which has deep roots in rural areas. The citizens should each energize their efforts with a view to better utilizing their labour potential, other resources, and their entrepreneurial talents in undertaking new production and business pursuits.

In short, the abovementioned issues of agricultural and rural development in the process of industrialization and modernization are centred on bringing into full play the nation's human resource potential. This involves everybody (men and women, individuals as well as communities) simultaneously as the powerful motive force and the highest goal in striving for rapid, efficient, and sustainable development in all its economic, social, cultural, and environmental dimensions. (See Table 1.)

Some remaining issues in agricultural and rural development

There are still many other important issues relating to agricultural and rural development that require special attention, such as:

- forms of production-business organization;
- building of rural infrastructure;
- cultural and educational development;
- transfer of scientific-technological achievements, and supply of techniques and materials;
- improvement of the credit system;
- territorial (regional) planning, and development of a network of small- and middle-scale urban centres; and
- rural society management institutional development.

The shortage of time, and the need to focus our initial efforts on a manageable agenda, have meant that these issues have had to be set aside for future research.

Final comments

The issues of rural development that we have been able to address above also require more time and effort to produce an adequate study and set of conclusions. We should intensify the collaboration between policymakers and scholars — in both the social and the natural sciences and technology — to strive for a comprehensive, interdisciplinary approach toward analyzing and solving the many problems of agricultural and rural development. In particular, we should vigorously promote methods of joint study with the peasants (the participatory action research approach). Policymakers and scholars should not think of

themselves solely as the peasants' teachers, to merely preach to them on the theories and models constructed for their benefit. For the peasants, it is generally true that "one time of seeing is better than a hundred times of hearing" (or to use a Western saying: "one picture is worth a thousand words"). We should thus translate the results of our studies into demonstration cases (or pilot projects), relying on the experience and local success of the peasants themselves to inform and convince them and their neighbours of new ways of doing things. The propagation of VAC (garden-pond-livestock) or VACR (garden-pond-livestock and forest in mountainous areas) ecosystems across the country is a case in point that has provided a precious lesson in the potential returns to such learning-by-doing.

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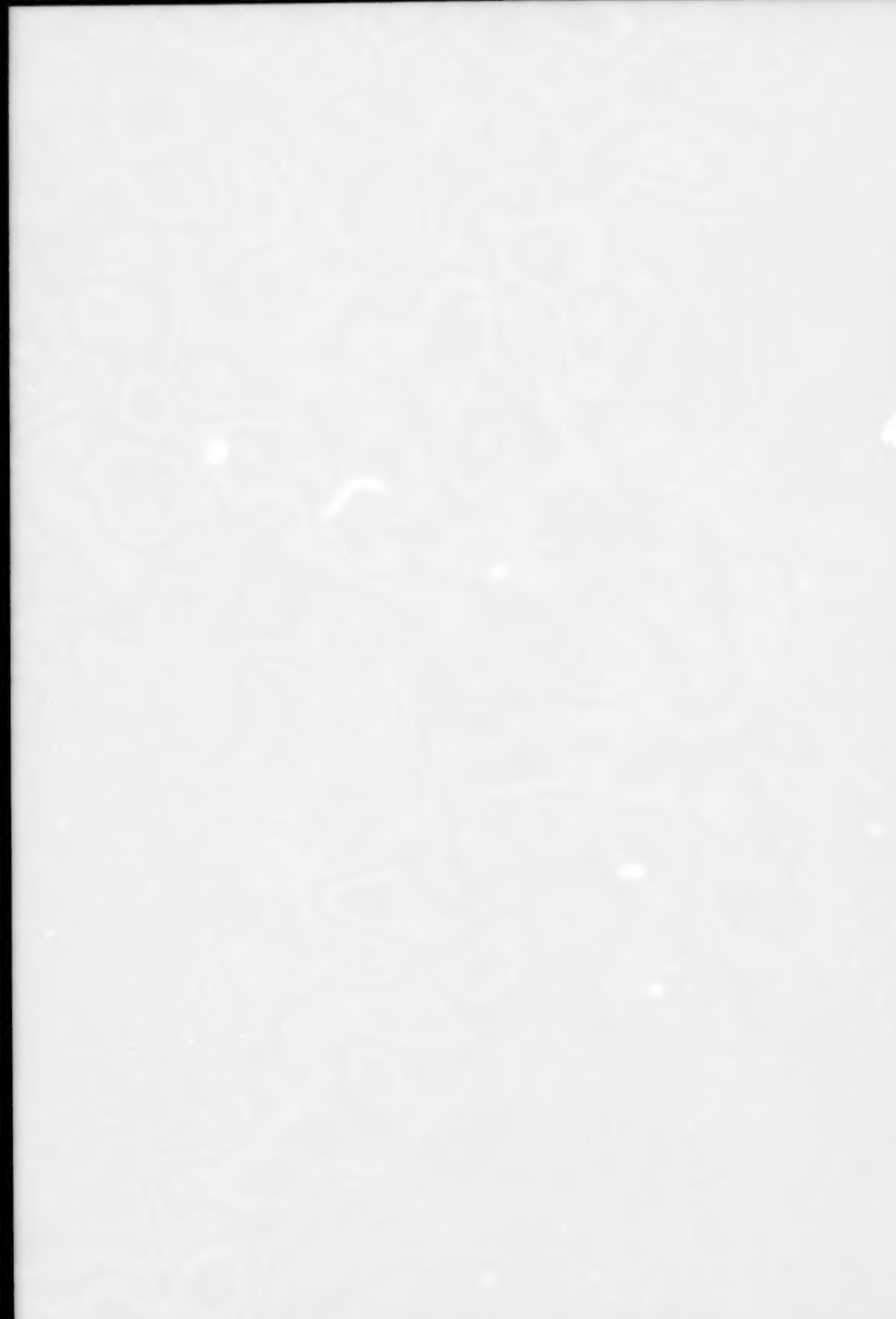
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PART II.

URBAN HOUSING

*Trinh Duy Luan
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and Michael Leaf*

Introduction

Part II provides an examination of the fundamental changes in housing and urban development that have occurred in Viet Nam under the impact of ten years of renovation policy, from 1986 to 1995.

Chapter 5, "The socioeconomic impacts of renovation on urban development," provides a generalized picture of the impact of renovation on urban areas in Viet Nam considering economic, social, and cultural factors as well as the built environment. This shows that a rapid large-scale transformation is underway, particularly in the process of housing production.

Chapter 6 focuses on current housing production issues in Vietnamese cities, based on the findings of case studies in Hanoi and Ho Chi Minh City. Two main features are underlined: the increasing diversity of housing types and housing producers. To understand these changes, the authors have adapted a classification of urban housing commonly used in Third World cities. Four sectors are used to generalize the urban housing production process in Viet Nam: *state sponsored, private, welfare, and squatter*; however, it is recognized that the great diversity of producers, forms of housing, residential land use, and tenure makes any simple classification problematic.

Chapter 7 outlines the research method employed, while Chapter 8 presents nine case studies of housing allocation and production pressures in Viet Nam's two major cities.

In Chapter 9, "Renovation and urban housing: obstacles and prospects," there is a summary of the housing achievements under renovation, as well as a discussion of policy implications and suggestions for supporting further improvement of housing and urban development in Viet Nam.

Chapter 5.

The socioeconomic impacts of renovation on urban development

Stages of urban development prior to renovation

A historical perspective

After half a century of momentous changes, including independence in 1945 and the long wars of resistance, Viet Nam entered a new period in the late 1980s. This new period is leading to integration with the global economy, in accordance with the renovation policy initiated by the Vietnamese Communist Party in 1986. Urbanization in Viet Nam reflects the complicated and diverse circumstances of the different periods of development. In order to study the socioeconomic impacts of renovation on urban development and housing, it is necessary to consider the historical stages of Vietnamese development over the past 50 years.

Each of the historical stages is clearly identified by distinct and rapid change. By coincidence, these stages occurred in ten-year periods, which correspond to the historical development of Viet Nam over the past five decades.

The 1945–1954 period

When Viet Nam gained its independence from French colonialism in 1945, it immediately entered the Indochina war of resistance for national defence and independence. The urban heritage of Viet Nam in this period continued to reflect the colonial era. By 1954, only 11 percent of the population lived in cities and the urban network was dominated by two major cities, Hanoi and Saigon.

The 1955–1975 period

The major characteristics that shaped urbanization in Viet Nam from 1955 to 1975 included the existence of two different political systems, and the effects of the wars. These combined to create two contrary urbanization trends in the North and the South.

In the North, after nearly ten years of peaceful construction on the socialist model, the country had to cope with the sabotage war of the US Air Force. This led to the mass evacuation of residents out of the large urban centres, especially in the early 1970s, and resulted in a temporary deurbanization process.

In the South, neocolonial economic development was followed by local and special wars with US interference. In contrast to the North, this led to a

forced urbanization process. The urbanization rate in the South reached its highest level at about 40 percent in early 1970s (National Institute of Urban and Regional Planning 1993).¹⁸ The consequence of both trends of abnormal urban development in this period had major repercussions in the following decades.

The 1975–1985 period

Following the previous decade of severe war, there was an impending socio-economic crisis after 1985 as the old-style socialist model began to threaten further socioeconomic development. Another echo of the war was the migration from urban to rural areas in the South where the level of urbanization stabilized at 18.4 percent in 1982 (National Institute of Urban and Regional Planning 1993).

This deurbanization reflected the socioeconomic difficulties prior to renovation when Vietnamese cities maintained the model of the socialist subsidized system, which lacked vitality and inhibited dynamic growth and development.

The 1986–1995 period

Starting in 1986, the first decade of renovation saw rapid and unprecedented change, in contrast to the crisis of the previous 10 years. This was the most animated as well as the most complicated of the previous periods. From 1986, rapid urban development proceeded in the context of an evolving open-market economy. However, the state's urban management experience and capability was extremely limited and unprepared for this transformation.

Viet Nam now faces many challenges as it strives to boost industrialization and modernization as well as to provide the impetus for rural development. The role of cities as economic, political, and cultural centres will become increasingly significant as will the stress of urbanization.

Urbanization and the socioeconomic development of Viet Nam

Having overcome many difficulties, Viet Nam now has many favourable conditions for urban development as a result of the renovation policy. With a network of nearly 500 urban centres of various sizes, there is a strong impetus for urbanization. The largest cities, such as Hanoi, Ho Chi Minh City, Hai Phong, and Da Nang, with their economic, political, and cultural advantages, are playing important roles in the transition to a market-oriented economy.

¹⁸ There are no official estimates on the highest rate of urbanization in South Viet Nam during the 1955–1975 period. This one is based on the data provided by Jacqueline Debarats in *Indochina Report*, April-June 1987, p. 3.

The Finance Ministry estimates that urban areas now contribute about 60 percent of the revenue and consume about 49 percent of the expenditures of the state. The economic efficiency of urban areas is much higher than rural areas. Yet urbanization affects only 20 percent of the total population; about 70 percent of the labour force still live in rural areas (Ho Chi Minh City Statistical Office 1995b).

The economic growth rate of cities, especially the larger ones, is much higher than other areas. For instance, in 1993 the GDP of Ho Chi Minh City increased by 12.5 percent compared to 8 percent for the whole country. Nearly one-third of the country's industrial output in 1993 was contributed by Ho Chi Minh City, although it has only 6.5 percent of Viet Nam's population (Ho Chi Minh City Statistical Office 1995b).

Studies of the socioeconomic impacts of renovation show that the most direct effects are in the cities. Here living standards and stratification between different social groups has increased, resulting in a polarization between the rich and poor. In spite of increased living standards, there are many difficulties including a deterioration in education and health care, acute housing problems, spontaneous construction, a loss of architectural and spatial order, urban transport problems, and ineffective urban planning.

Urban management and planning face many challenges on a daily basis, including the inability to effectively regulate development. However, compared with other developing ASEAN countries, the urbanization rate in Viet Nam is still low and reflects the general rule that urbanization is directly proportional to the GDP per capita.

Urban socioeconomic impacts of renovation

Renovation has had clear socioeconomic impacts on most sectors and on all geographic regions of Viet Nam. However, as economic, political, and cultural centres, the cities — especially Hanoi and Ho Chi Minh City — have been the primary laboratories for renovation. Thus the impacts, achievements, and problems of renovation are more evident here than in other parts of the country. Several studies and surveys, including our own research, show the following basic socioeconomic impacts of renovation in urban areas.

Economic impacts of renovation in urban areas

The most important impact of renovation is the change in urban economic life. The core of economic renovation is to build a socialist, multisector, market-oriented economy regulated by the state. The change to a multisector economy is reflected in the restructuring of economic sectors and ownership. The previous absolute domination of the state economic sector is being replaced by diversification which

includes nonstate ownership forms, such as private and joint-venture capitalist economic enterprises. The forms of the collective and cooperative economic sectors have also changed.

At the end of 1993, there were 2 039 active enterprises in Hanoi, 928 of which were owned by the state. Of the remainder, 631 were limited liability, 9 joint stock, 340 private, and 107 belonged to mass organizations. There has been a rapid expansion of the private economic sector; it is estimated that the state economic sector contributes 75 percent of the budget of Hanoi and the balance comes from the private sector. It should, however, be noted that the capital of the state-owned enterprises is ten times greater than that of the nonstate enterprises (Hanoi Statistical Office 1995).

The multisector economic structure brought about by renovation is also evident in Ho Chi Minh City. More than 800 state enterprises are being reorganized and their equipment renewed. In addition to 300 000 separate economic establishments, the number of private enterprises, joint-stock and limited liability companies is increasing. In 1992, there were 737 private companies and enterprises, this number increased to 1 472 in 1993, and to 2 149 in 1994 (Ho Chi Minh City Statistics Department 1995a).

Renovation has contributed to a change in the economic structure of cities. For instance, the GDP of Hanoi has changed with the gradual increase in industrial production. In 1993, industry accounted for 29.2 percent of Hanoi's GDP, 64.3 percent for trade and services, and 6.5 percent for agriculture. In 1994, the distribution was 31.2 percent for industry, 63.2 percent for trades and services, and 5.6 percent for agriculture (Hanoi Statistical Office 1995).

The GDP growth rate for cities also reflects the increasing role of the large cities. Hanoi's GDP in 1993 was 7 700 billion VND which was 5.6 percent of the national total. Compared to the national annual GDP growth rate of 6 percent during 1986–1990 and 8.8 percent in 1994, Hanoi's annual GDP growth rate was 7.1 percent for 1986–1990. From 1991 to 1993 the annual GDP growth rate exceeded 10.55 percent, in 1994 it was 13.4 percent. Similarly Ho Chi Minh City's GDP growth rate was 9.8 percent in 1991, 12.4 percent in 1992, 12.5 percent in 1993 and 14.6 percent in 1994 (Hanoi Statistical Office 1995).

These data on sectoral change and economic growth rates for the two biggest cities in Viet Nam show that important changes have occurred over the past 10 years as a consequence of renovation. These changes are basic because they generate further modifications in all other aspects of urban social life as well as profound impacts on rural areas.

Changes in the economic structure first led to changes in the structure of the urban labour force. The multisector economy attracted more labour to various economic sectors, especially the nonstate sector. This includes a considerable

amount of labour that moved from the state to the nonstate sector, a situation seen most clearly in the reorganization of state enterprises in Hanoi. Prior to renovation, 80 percent of the labour force worked for the state sector; by 1993, however, the proportion dropped to between 50 and 60 percent. Thus there was a significant flow of labour from the state sector to the private and individual economic sectors, or to the large informal sector.

In Ho Chi Minh City the labour force in the state sector dropped from 39 percent in 1989, to 24 percent in 1994 (Ho Chi Minh City Statistics Department 1995a).

These economic changes, which are a direct result of renovation, have had a positive impact on the living standard of a majority of urban residents. Research in Hanoi, Ho Chi Minh City, and other cities confirms this achievement. In Hanoi, 75 percent of the households surveyed in 1992 stated that their living standards were stable or had improved over the previous five years (20 percent were stable, 34 percent partly improved, and 21 percent considerably improved). In the coal mining town of Cam Pha in Quang Ninh province, a survey in July 1993 showed that 75.8 percent of the households stated that their living standards had improved (Luan 1995a).

Further evidence of the improvement in living standards in Ho Chi Minh City is the increase in the average monthly expenditure per capita. In 1991, the average monthly expenditure was 134 251 VND, in 1992 it was 195 289 VND, and 230 540 VND in 1993. Thus, within three years the average monthly expenditure per capita increased by 71 percent (Ho Chi Minh City Statistical Office 1994b). Other indicators, such as the average monthly income per capita and the ownership of household equipment, confirm this trend. The construction and improvement of housing is another indication of the rapid improvement of living standards in most urban areas in recent years.

Social impacts of renovation in urban areas

Changes in the economy as a consequence of renovation have also led to changes in social structure. Foremost have been changes in the urban occupational structure. However, there are significant differences between Hanoi and Ho Chi Minh City due to the history of urbanization in these cities.

The change in the social structure of Hanoi is the result of the transition from 30 years under a centrally planned society to a market-oriented society. By comparison, the change in Ho Chi Minh City is characterized by a strong resurgence of a market economy that had persisted under the socialist-oriented regulation of the state. Ho Chi Minh City was never a city of state employees, as was the case in Hanoi during the 1970s and 1980s. However, under the impact of economic renovation, a common trend of increasing labour force in the nonstate sector and reduced labour force in the state sector can be observed in both cities.

Two factors have had a parallel impact. The first is that the state sector has been forced to reorganize to improve its efficiency. The second is that working people are increasing their participation in the nonstate sector, which is growing as a consequence of renovation. In 1993 in Hanoi, 70 000 workers moved out of the state sector — this phenomenon is referred to as the marketization of labour and the urban social structure. However the state sector has also changed its face and style of work to adapt to the new conditions (Luan 1995a).

In Ho Chi Minh City, 47 390 workers left the state sector in the five years from 1985 to 1989. Of these, 28.4 percent gave up their job voluntarily and 71.6 percent left work due to reorganization. Most of these workers in Hanoi and Ho Chi Minh City joined private business establishments or organized their own informal production.

The formation of new social groups is another result of the multisector market-oriented economy. Workers, state employees, and intellectuals were the three main components of urban society prior to renovation. Other smaller components included people in small private industries, free workers, entrepreneurs, and foreign capitalists. All of these now have a more positive environment.

Many private business people have emerged who are testing their ability to compete in local and regional markets. A 1994 survey of 387 private enterprises in Hanoi identified one with an investment capital of more than 100 billion VND, five or six had 80–100 billion VND, one had 40 billion VND; 10 had more than 20 billion VND, nearly 100 had 10 billion VND or more (Institute of Economics 1995). The number of individual economic establishments, private enterprises, joint-stock companies, and limited liability companies also increased, reinforcing the multisector character of the urban socioeconomic structure.

If household economic activities are included, at least 200 000 individual and private establishments or companies are operating in Ho Chi Minh City, which is equivalent to more than one-fourth of the households in the inner city (Ho Chi Minh City Statistical Office 1994a).

These newly created establishments will no doubt create new social relations as a consequence of renovation. Another consequence of renovation is that social stratification has become more severe. In the transition from central planning toward a market-oriented economy, social stratification occurs for several reasons, such as cracks and opportunities in the economic system, shortcomings in economic and social management, and twilight areas that facilitate manipulation of the weak legal framework. This creates an environment for the self-selection of those with the strength to advance economic development. Even though the polarization between rich and poor may be different in each city, it is notable that the gap is becoming more severe.

Characteristics of this polarization include:

- Differentiation has increased: While the living standards of almost all groups have improved, this improvement is not equal across the social strata.
- The group that has become rich quickly comprises 5–10 percent of households, while the very poor comprise 5–7 percent. The medium and above-medium income group comprises 70–80 percent of households (Luan 1995a).
- In one study, 75 percent of households stated that their living standards had improved since renovation. The same percentage agreed that the rich-poor polarization is a phenomenon of the market-oriented economy. This suggests both an awareness of the achievements of renovation as well as its realities.
- The emergence of both advantaged and disadvantaged social groups has implications for social policies, such as poverty alleviation and social equality, as well as public perceptions of the process of renovation.
- The incompatibility of market-based economic growth and the concept of social equity is a familiar dilemma. Moreover, the problem may be more complicated when the concept of social equity is carried over from the ideology of the previous socialist model. How to resolve this dilemma remains controversial.

Cultural and lifestyle impacts of renovation in urban areas

In addition to changes in socioeconomic life, renovation has also resulted in cultural, lifestyle, and behavioural changes in urban areas. These changes can be observed firstly in the social dynamic that has formed in the economic field where renovation has created an environment for market economic activity. This dynamic has occurred at the individual, group, and collective level. Among these, the household has become an especially important economic unit.

Research on the opinions of urban residents in recent years shows that along with the transition from a centrally planned economy to a market-oriented economy, people have become more rational, dynamic, and positive in adapting to change in their environment. For example, people appear to have more concrete targets, as well as know-how, to take advantage of opportunities to reach these targets; they also appear to be slowly escaping from the attitude that one works only as hard as others, and lives only as others do. Thus, there is a gradual move toward the development of individual characteristics, although each person is still a member of a community or social group.

It can, therefore, be asserted that a notable achievement of renovation is the emancipation of human productive and social forces that were previously

confined. Individuals were previously subservient to institutional mechanisms and could not freely ensure their fundamental needs. Everything had to wait for the approval of the institutional mechanisms.

Material liberation is also related to moral liberation. The subsidy system worked on the principle of equally shared poverty, with many restraints and restrictions, prejudices against the rich, and a bias against excellence. By comparison, the guiding force for new values appears to be mottoes such as "save ourselves before waiting for God to save us," "know how to make a fortune legitimately," and "a wealthy population creates a wealthy country."

An increasing proportion of the population is trying to adapt to the lifestyle of an industrializing society. People are more concerned with formal laws and regulations to guide behaviour instead of moral norms. A sense of democracy in economic, political, and social life has also emerged amongst urban residents (Luan 1996).

Urban households have reorganized their activities and the role of household members in conformity with new economic, legal, and moral conditions. Households have taken initiatives in economic development, occupational orientation for the younger generation, the improvement of housing conditions, career development, and income generation. In short, market values are influencing social relations, and urban lifestyle is becoming more vigorous.

The emerging market economy is also the basis for the consumer society and its attendant greed, selfishness, and egotism which disrupts many fine attributes of the traditional Vietnamese culture, urban lifestyle, and civilization. As a consequence, there is evidence of a transitional lifestyle with a confused reception of different — and even contrary — external values and norms, which impact the culture of Vietnamese urban society. Urban social order may be endangered by these negative impacts.

Impacts of renovation on urban management and the built environment

After describing the profound and comprehensive urban socioeconomic and cultural changes that have occurred as a consequence of renovation, it is useful to look at the built environment: architecture, planning, landscape, and the technical and social infrastructure of Viet Nam's major cities.

The achievements of renovation are clearly reflected in changes in the urban built environment. The pace of new construction exceeds all previous experience. The low skyline of the major cities is now disrupted by 10–20 storey buildings. Roads, transportation, communication, houses, supermarkets, hotels, and restaurants are being modernized, and the pace of change can surprise Vietnamese as well as foreign visitors. Thus, urban physical change and the

reshaping of the spatial order of the major cities are the most visible results of renovation. Nevertheless, urbanization and modernization are at an early stage.

Not unexpectedly, there are many difficulties in the path of effective urban planning and management to guide Viet Nam's urban transformation. Many experiments and adaptations have been tried, and some progress has been made in adopting legal instruments such as the Land Law and the Law on Houses, as well as numerous subsidiary laws. This progress includes several important documents that have recently been issued by the government, including: *A Draft Strategy for Urban Development and Shelter to the Year 2010*, *Low-Income Housing Policies*, *Housing Construction Programs*, several physical master plans, as well as detailed planning schemes.

Renovation is also exposing Viet Nam's cities to many dangers. The market economy, elimination of the subsidy system, unconstrained construction, foreign investment and the open-door policy are powerful forces that endanger stable and sustainable urban development. Concrete examples of these dangers include: the spontaneous urban construction boom, especially in Hanoi; the gradual loss of the Ancient Quarter; the overload of the old urban infrastructure; speculation in land and houses; and the urban public transportation crisis. Overcoming these dangers is a major challenge — a peacetime battle for urban planners and managers (Luan 1996).

Many critical questions remain unresolved. Will Hanoi and Ho Chi Minh City become cities like Bangkok? What will Viet Nam's urban cultural identity be in the early twenty-first century? Although some laws to govern urban development have been adopted, many are still required. Furthermore, many of the policies and plans that have been announced have low feasibility. Modern urban planning and management methods and strategies have not been used; difficulties in finance, institutional capacity, and development control remain unresolved; while the pressure of development under the impact of the renovation is increasing. It is apparent that renovation requires revolutionary changes in urban development and management in Viet Nam.

Chapter 6.

The socioeconomic impacts of renovation on urban housing in Viet Nam

Pre- and post-renovation urban housing problems: an overview

For more than 40 years, urban housing has been a difficult social problem that has had the attention of the state and social organizations. In order to understand the impact of renovation, the situation in the pre-renovation period from 1954 to 1985 should be understood.

The pre-renovation or state subsidy period: 1954–1985

The state adopted many housing policies in this period and a National Housing Program for state employees in cities was implemented. Many state bureaus and enterprises exercised their initiative and used their own resources to provide housing for their employees. Investment in housing was, therefore, part of the annual or five-year state plans. The distribution of housing to state employees involved complicated and lengthy procedures; a study conducted in 1985 showed that on average it took 27 months to process an application.

Housing policies in this period, including those on investment, distribution, and rent, partially resolved the urgent urban housing needs but did not satisfy the needs of the majority of people. Furthermore, the system created many difficult social problems, particularly the inequality in the provision of housing for different groups of people who worked in the state sector.

Housing policies in the first 10 years after the re-establishment of peace from 1954 to 1964 were, in general, unchanged and housing provision, although poor, was not as urgent as in the next period. In Hanoi, for example, there were 6 square metres of housing per capita in 1954; by 1994, this amount had dropped to 4 square metres per capita.

After the Indochina war of resistance, some of the urban residents in the North migrated to the South or returned to their rural homes. The French colonial cities were not destroyed by the war of liberation and were taken over intact by the state. Thus, housing policy was not an important state initiative in this period. In fact, it was limited to the issue of distributing housing to state employees, and did not take account of the housing requirements of other urban residents.

In the period from 1965 to 1975, the state budget was used in the North to build neighbourhood units with two- to five-storey apartment buildings based on

the Soviet model. Due to a lack of experience in urban planning and management, the state paid more attention to the construction of houses rather than the organization of urban space and infrastructure according to a master plan. Thus, housing construction in this period exceeded the capacity of the physical infrastructure such as water, drainage, electricity, roads, and environmental sanitation. The extremely high subsidy resulted in rents as low as one percent of an employee's salary. This amount could not cover the maintenance and upgrading of houses, which quickly deteriorated, creating damage and waste.

The amount of urban housing constructed in the period from 1965 to 1975 varied between the North and the South. This was due to the difference in the political systems and the opposite impact of urbanization. Housing survey data for 1994, collected with the Population Census, shows that as of 1989, 42 percent of Ho Chi Minh City's population lived in houses built from 1961 to 1975. In Da Nang, the second largest city of the South, this rate was 37 percent. By comparison, in the first years of industrialization in the North, the corresponding rates were 23.6 percent in Hanoi and 19.8 percent in Hai Phong. The difference can be attributed to the impact of the US Air Force war of sabotage (Viet Nam General Statistics Office 1989).

In the following 10 years, from 1975 to 1985, a National Housing Program, mainly for cities, was jointly implemented by the Ministry of Construction and State Research Institutes in order to improve housing conditions. The program continued the principle of egalitarian distribution with heavy subsidies from the state budget. Production was dominated by technical and economic considerations and the housing was typically poorly equipped four- to five-storey apartment blocks with little comfort and a monotonous appearance.

In the 1980s, after the experience of the previous 20 years, several improved housing models were introduced that were more convenient and had higher quality buildings with a better appearance. Furthermore, an experiment in the trading, expansion, and construction of houses under the formula "state and people cooperate to build houses" was tried in some areas.

In the 10 years prior to renovation, from 1975 to 1985, a high rate of housing construction was achieved. This represented the following percentage of the stock in three of the four main cities: Hai Phong 43.3 percent, Hanoi 27.1 percent, and Da Nang 31.8 percent (Viet Nam General Statistics Office 1990, p. 32).

Meanwhile in Ho Chi Minh City, there was a difficult standstill. Due to obstacles in management and unclear legal ownership, the city did not take measures to encourage the maintenance, upgrading, or construction of houses. In the 10 years prior to renovation, Ho Chi Minh City housing stock only increased by 14.5 percent (Ho Chi Minh City Statistics Department 1995a).

In the period of totally subsidized housing, the state tried to serve as the sole producer and distributor of housing for most urban residents. This system did not work as effectively as expected. The main reason for the shortcoming was the imbalance between supply and demand, financial constraints of the state budget, and difficulties in the administrative allocation of housing which created many disputes and complaints. The policy of state subsidization and distribution of housing fostered a passive behaviour among urban residents who did not care to maintain their houses because maintenance was viewed as the state's responsibility.

The outcome of these policies was that up to the early 1990s, only 30 percent of the state's employees, mainly those in Northern cities, received housing from the state. The remaining 70 percent had to make their own housing arrangements or live in very poor conditions (Viet Nam Ministry of Construction 1996). Thus, the goal of the socialist housing model was not achieved. It was followed by renovation and the emergence of a new array of housing problems.

The renovation or big change period: 1986–1996

Since the implementation of renovation in 1986, which is oriented to the development of a multisector economy, there have been many changes in housing. The state abandoned its subsidized housing policy and instead created conditions to encourage people to build their own houses.

In 1990, one-third of new housing was built by individuals using their own capital. In 1992, the investment in housing production by residents who obtained building permits was double the state budget for housing. Furthermore, it is estimated that an equal amount was invested by residents who did not obtain building permits. A house construction boom, mainly by households, can be seen everywhere. Houses mushroomed as people tried to improve their living conditions on their own by building new houses and by improving their existing accommodation, including nominally state-owned housing.

Government ministries at all levels have issued hundreds of policies and regulations to promote housing production, including the transfer of state-owned houses to a commercial basis. Particularly important is the 6 April 1991 Housing Ordinance, which formalized the termination of the state-subsidy system of housing provision and its replacement by a new market-oriented system. The state has also created favourable conditions for investment in housing production by management organizations and units in the cities. These efforts have paid off as the housing stock increased 50 percent in the period from 1960 to 1993 (Viet Nam Ministry of Construction 1996).

Two important outcomes of renovation are the increased amount of housing produced and the increased diversity of housing producers and types of

housing. In Ho Chi Minh City, of all the housing added since liberation in 1975, 86 percent of the houses and 93 percent of the floor space was added in the eight years from 1986 to 1993. From 1987 to 1989, about 4 000 apartments were added annually rising to 8 800 in 1990. Thus, there has been a doubling of housing production every two-to-three years. In 1991 and 1992, about 16 000 housing units — mostly apartments — were added annually with a total floor area of 500 000 square metres.

In 1993, due to a growing demand for multistorey apartment buildings in Ho Chi Minh City, 2.8 million square metres of floor space was produced by all sectors, a fivefold increase over 1992. From 1986 to 1993, 40 percent of new housing was produced by state institutions and 60 percent by urban households (Ho Chi Minh City Housing and Land Department 1995).

In Hanoi, the tempo of production has been slower than demand and still reflects the old state-subsidy system. It is clear, however, that there is a growing diversity of housing producers. According to data from the Hanoi Housing and Land Department for 1991–1993, Hanoi produced 700 000 square metres of floor space. The 1991–1995 five-year plan target was one million square metres. This construction included about 500 000 square metres or 74 percent private construction, which increased to 84 percent in 1994 (Hanoi Housing and Land Department 1995).

These data indicate that there has been a transformation in the urban housing sector in Viet Nam as a consequence of renovation. Despite the achievements, many serious housing problems persist.

Per-capita floor space is still extremely low due to population growth and increasing demand. Thus the lack of housing space remains a fundamental problem in Hanoi, Ho Chi Minh City, and other urban centres. In many urban regions, tens of thousands of households live in very bad conditions. According to a Ministry of Construction report, 30 percent of the people in Hanoi still have less than 3 square metres per person. In Ho Chi Minh City, there are 150 000 temporary dwellings, including 43 000 dilapidated dwellings and 24 000 slum dwellings along the city's canals and small rivers.

As a consequence of the old economic order, as well as the introduction of market mechanisms, the inequality in housing and the housing problems of the urban poor have increased. These households have little chance to improve their housing conditions through market mechanisms, nor do they benefit from any government assistance.

Of the total 54.4 million square metres of urban housing, 32 million square metres require immediate repair and maintenance, and 1.7 million square metres need to be removed for new housing construction. However, due to the shortage

of investment capital, millions of people continue to live in very bad housing conditions (Viet Nam Ministry of Construction 1996). (See Table 1.)

The management of the public sector is still problematic due to widespread speculation practices, including the illegal buying and reselling or leasing of the state's rental houses, which occurs beyond the control of the municipalities.

In addition, the regulation of housing construction is ineffective. The spontaneous housing construction boom has led to illegal occupation of land and chaos in the implementation of urban planning. This has had bad consequences for architecture, the built environment, infrastructure, supply and services, and the landscape of Viet Nam's cities.

Current housing policies are not entirely suitable for the present situation and only provide a temporary solution to meet urgent housing needs. A more comprehensive policy or strategy for housing is needed to replace the former policy of subsidized housing.

Moreover, in the present insufficient legal environment, the lack of regulations, the overlap of functions and responsibilities, and the existence of so-called "vacuum zones" beyond state control have created many institutional constraints hampering development of a real housing market. Thus a comprehensive strategy for urban housing as well as long-term programs for housing production remain "in preparation," although this task should have been completed as soon as the state subsidy housing policy was abandoned.

Table 1. Total housing floor area produced in urban centres of Viet Nam: 1991-95 (square metres).

Year	All Urban Centres	Hanoi	Ho Chi Minh City	6 Class II Cities ¹
1991	1 148 471	140 771	450 000	128 000
1992	2 292 718	163 378	56 040	202 600
1993	5 373 778	220 078	2 791 000	479 900
1994	6 021 011	224 311	2 380 000	532 100
1995	10 899 228	251 548	2 269 460	962 400
Total	25 735 206	1 000 086	7 946 500	2 305 000

Source: Viet Nam Ministry of Construction. *Draft Document on Urban Housing Development Program 1996-2000*. Hanoi: Ministry of Construction, 1996, p. 1.

¹ Class I cities (Ho Chi Minh City and Hanoi) have over 1 000 000 population. Class II cities (Haiphong, Vinh, Da Nang, Hue, Bien Hoa, Can Tho) have 350 000-1 000 000 population.

The dynamics of urban housing production in the renovation period: diversification of types and producers

The best way to analyze the causal forces of urban housing production in Viet Nam under the impact of renovation is to describe the characteristics of the producers who have enjoyed favourable conditions in recent years.

The classification of housing by producer

In low-income countries, the production of housing is usually divided into three sectors: the public, private, and popular sector. In the public sector, houses are produced by the state or state organizations, and so may be called state-owned. Houses in the private sector are produced by large or small businesses that sell or lease them for a profit. Houses in the popular sector are produced in an irregular way, which may include disregarding the state's regulation on construction and the use of land, even though they may be well built.

Although each nation has its own specific characteristics and therefore differences in housing policy, one of the recent trends is that governments have tried to restrict their direct participation by reducing the production of housing in the public sector and giving more attention to supports that enable housing production in the private and popular sectors. Furthermore, many countries have developed their housing policies and programs at national, local, and sectoral levels — and these usually support a sequence of development projects.

The enabling approach is used to reduce the state's direct production of housing and to encourage or enable people, social groups, and communities to build their own housing. Many different schemes have been devised to implement this strategy, including slum upgrading, basic sites and services provision, and community self-help initiatives. This experience is amply described in the English language housing literature (such as Luan and Leaf 1998). Regrettably, Viet Nam has only had access to this in recent years and it is not widely known among researchers, housing policy analysts, and policymakers.

Housing supply in Viet Nam

The urban housing problem in Viet Nam is not the same as in other low-income countries, especially its neighbours in Southeast Asia. It does, however, share many characteristics with the transitional economies of the former Soviet Union and Eastern Europe. All had a state subsidized public sector that is being transformed. The special characteristics in Viet Nam are:

1. In urban areas overall, only 22.1 percent of housing is state owned. The housing is unequally distributed with 48.1 percent in Hanoi and 18.7 percent in Ho Chi Minh City. (Luan, 1995b).
2. The number and quality of state-owned dwellings in Viet Nam is low. The supply is measured by floor area per capita (square metres per person) rather than the number of people or families per housing unit.
3. Vestiges of the subsidy housing system are still a strong part of people's psychology as well as the public sector's attitude to management, distribution, and control of housing production. Thus the private and

popular sectors have for many decades remained outside of the state's attention.

4. Statistics on urban housing are insufficient or unavailable, which makes it difficult to apply commonly used classifications to analyze and compare the Vietnamese situation. Since the last Census in 1989, there has not been any general survey of urban housing and little is known about the amount that has been produced by the private and popular sectors.
5. Under the impact of renovation, major cities in Viet Nam are changing daily while the planning capacity and managerial arrangements remain extremely limited. As a result, it is easy to see the chaos of uncontrolled housing construction.

Chapter 7.

The research method

The research method

The situation described in the previous chapter has created a labyrinth for managers and policymakers who are bogged down in solving concrete problems on a day-to-day basis. For researchers this situation makes it extremely difficult to describe what is going on and impossible to provide overall data on the diversification of housing, its scale, or classification.

These realities have led us to select a feasible research strategy that makes the best use of our limited time and financial resources. We have, therefore, examined the housing production process insofar as it can be described by answering the following questions:

1. Who are the main producers of new housing at present and what physical form does it take?
2. Where do the inputs (land, capital, building materials, construction labour force) come from?
3. Which administrative and legal procedures (legal, illegal, semi-legal) are followed or ignored and why?
4. What are the potentials, the advantages, and prospects for the future development of each production sector?
5. What are the advantages, difficulties or disadvantages created by current land and housing policies, or by the present juridical environment?
6. Because there is not yet a nationwide survey of the housing problem in Viet Nam, we conducted a series of case studies in the two largest cities, Hanoi and Ho Chi Minh City, to answer these questions (see Chapter 8). A sample survey in 1989 revealed that these two cities have 42 percent of the total urban housing stock — 10 percent in Hanoi, and 32 percent in Ho Chi Minh City (Viet Nam General Statistics Office 1989).

Each case study concentrates on the housing production process of one major type of housing or producer. Background information was also gathered on typical households in the communities that were studied, to help us understand their socioeconomic characteristics and discover the issues they face. The remainder of this chapter summarizes the results of the case studies. The research results present a diversified picture reflecting the reality of the process of housing production in these two cities.

The three housing production sectors (public, private, and informal) identified in the literature have been modified to fit the circumstances in Viet Nam. We have used:

1. State sector: Housing and land for housing produced by the state or by state-sponsored business-based companies.
2. Private sector: Legal or quasi-legal housing produced by households for their own use.
3. Welfare sector: Housing produced by various agencies for special groups, in particular war victims and low-income state sector employees.
4. Squatter sector: Housing produced by households in irregular settlements.

Although this classification permits a useful understanding of current housing in Viet Nam, it is nevertheless, a generalization of what is in fact a more complicated situation. Not every producer falls neatly into one of these categories: for example, irregular upgrading and addition to state-owned housing by households is common. This may result in the imposition of a fine but is otherwise accepted.

Housing production in the state-sponsored sector

The state sector prior to renovation

In the three decades prior to renovation, all urban housing construction was managed by the state, including design, construction, allocation, and repair. In Hanoi, as well as other cities in the North, no housing business was allowed prior to 1975 and there was no role for the irregular or informal sector. The state exercised a monopoly.

After 1975, a few families were able to build new houses for themselves, but their hope of establishing a business to construct houses for others was dashed by the prevailing public policy. However, the internal contradictions of the housing system created strong pressure for policy changes in the late 1980s when renovation was introduced. After 1986, the state did not have sufficient resources, finance, materials and so on, to continue its policy of housing subsidization in the face of people's increasing demand for improved living conditions. In fact, after the 1970s, there were experimental house sales in Hanoi that accepted cash or installment payments in return for a certificate of ownership. Regrettably this was only a small-scale venture.

In the 1980s there was a movement for "the state and people to join efforts" to build and repair houses. This movement did not have private business characteristics, but it did plant the seed of the enabling strategy that would be adopted later on. In the late 1980s, there was no housing business in Hanoi, nor were there many houses for rent or for sale that people wanted and were able to

afford. These people had to be satisfied with improving, upgrading, or rebuilding their existing houses by whatever method, regardless of its legality. Thus the formal sector could neither meet the people's demand nor free its initiative. This situation stimulated the spontaneous construction boom that exploded in the post-renovation period.

Major changes after 1988

After 1988, the government allowed municipalities to allocate land to certain state businesses, which were controlled by national or local construction companies, to build houses for sale. These businesses constructed houses using capital from a variety of sources — their own, the state's, or the purchaser's. The initial capital provided by the state was insufficient for even small housing projects. Thus the businesses mobilized other sources, especially people who had money to buy the houses that were produced.

There were many obstacles created by government controls, but some privately owned businesses began to produce a few houses, frequently through informal processes. Thus a market-oriented model of house production began to evolve. Our case studies show that this market mainly served the well-off class. Despite the fact that urban society in Viet Nam has to overcome longstanding poverty, the low-income population, which has great housing needs, is excluded. With economic growth and the improvement of living standards, the housing demand of the well-off class is also increasing and is met by market housing.

Despite the unequal distribution, market housing has the following advantages:

1. The housing conforms to the city's master and detailed plans.
2. A network of national and local housing businesses and government urban development companies is created.
3. The formal state land-tenure system is used.
4. Housing finance is reformed.
5. Funds for housing do not have to be included in the state budget as subsidies.
6. The subsidy system is replaced by business accounting based on market conditions.

The research shows the following characteristics of housing production in Hanoi and Ho Chi Minh City. Prior to renovation, 72 percent of the housing stock in Ho Chi Minh City and 47 percent of the stock in Hanoi was in the private sector. After nearly 10 years of renovation, housing production by state-sponsored businesses in Ho Chi Minh City is stronger in absolute numbers and in the rate of new construction than in Hanoi. In Ho Chi Minh City, during eight years of renovation from 1986 to 1993, state-sponsored businesses constructed

40 percent of the new houses. By comparison, the state-sponsored businesses in Hanoi only produced 30 percent of new housing from 1991–1993. Several factors contribute to the situation in Hanoi including the stronger impact of the subsidized economy, the more limited financial capacity of house builders, jurisdictional and administration barriers to land allocation, and difficulties in obtaining project approval.

The state-sponsored businesses now include central and local government companies, state-owned housing companies, and privately-owned companies which enter into contracts to construct housing projects under state control and management. Government regulations specify that only state companies have the right to rent land from the state for house construction; therefore, the state-sponsored businesses have an advantage in this regard.

Since 1993, there has been a program in Ho Chi Minh City to remove slums by resettling the residents, as described in case studies 1 and 2. These slums contain temporary buildings located along canals and small rivers. About 30 small slum areas containing temporary houses have been affected. This has enhanced the living environment for tens of thousands of poor and low-income households; however, the resettlement programs remain controversial.

The state-sponsored businesses have mobilized different sources of capital to invest in housing production in Ho Chi Minh City. The sources include funds from the municipal budget, property sales, and bank loans. Other sources of capital include funds from house buyers, funds deposited by people for property purchase by installment, and borrowed funds. This demonstrates the dynamism of the state-sponsored business efforts to meet the market demand in Ho Chi Minh City.

The state-sponsored businesses in Hanoi are, by comparison, deficient. From 1991 through 1994, 200 000 square metres of floor area were built, or an average of 50 000 square metres annually. This achievement was nevertheless far short of the growing demand, which is estimated at about one million square metres per year (Hanoi Housing and Land Department 1995).

In Hanoi, most of the capital for the state-owned housing companies has come from allocations in the state budget, and from people who deposit money for the purchase of houses. According to many housing company directors, the use of bank loans for housing and urban development is dangerous under current policies, and there is uncertainty about future changes in business regulations. For example, bank loans are short-term (six months to a year) with a high interest rate, and involve complicated and time-consuming procedures that are inappropriate for housing projects.

Housing by state-sponsored businesses in Hanoi has not developed vigorously and is limited to a few small projects including new construction,

restoration, and repair. Many projects have taken years to prepare in conformity with the administrative procedures required prior to construction. Thus institutional obstacles in Hanoi are a significant barrier to the production of housing by the state-sponsored companies.

A new policy on land and property rental, Decree 18/CP promulgated on 13 February 1995 by the central government, along with a number of subsidiary laws and regulations, is hindering the business operations of many state-owned housing and urban development companies. Their management complains that the existing administrative procedures for project approval create a situation where "the more they do the more they lose" or "one tries hard but gains nothing."

A new form of purchase has emerged in the process of housing production in the public sector in Ho Chi Minh City — the construction of houses for sale with payment by installment. This has good possibilities for resolving the housing problem for low- or middle-income people. From 1990 to 1992, the production of houses for sale by installment was used subject to the following conditions:

1. The state allows selected households to have access to loans for house purchase, or house construction by installment.
2. These households are selected by the People's Committee at the district level, except for families listed as beneficiaries of social welfare policies who are chosen by the city's Department of Labour and Social Affairs.
3. The loans are under 10 million VND (about US \$1 000) with a monthly interest rate of 1 percent and a term of 15 years.
4. Loan documents are prepared by the Land and Housing Department under the City People's Committee and administered by the city's Housing Development Bank.

Under this program, by the end of 1993, 3 691 apartments were built by city and district level state construction companies, with a total floor area of 234 000 square metres. Most of this housing was reserved for former slum residents (Ho Chi Minh City Housing and Land Department 1994). Although state-sponsored companies have a leading role in this program, the private sector is also encouraged to take part. Several shortcomings and mistakes have occurred during implementation and efforts are being made to overcome these. In particular, regulations are required to ensure observance of the official program.

In summary, renovation has had the following impacts on the state-sector role in construction of urban housing:

1. Renovation has encouraged a new way of thinking in the state sector which has shifted from the old state-subsidy system to a new system based on independent business accounting. This is a fundamental step required to

solve the urban housing problem in the transitional stage toward a market economy.

2. For historical reasons the adaptability of the state-sponsored sector to the concept of market housing has been different in Hanoi and Ho Chi Minh City.
3. Despite its market orientation, the state-sponsored companies are not exclusively concerned with economic considerations and the pursuit of profit; they have also been concerned with political and social considerations. For example, house construction for sale with payment by installment has included cross subsidization to assist the poor through the allocation of the revenue received from selling high-quality houses or apartments.
4. A recent analysis shows that there is a significant amount of idle money in the banking system. This could facilitate housing loans for installment purchasers of housing provided by both the state companies and the private sector.

In spite of progress, there are many problems in housing production by the state-sponsored businesses, especially the complicated institutional and managerial constraints which need urgent attention. Although there are shortcomings, the formal state-sponsored house construction sector is able to contribute to the improvement of housing and the living environment of urban residents, especially to the resettlement of the low-income population which is seriously impacted by processes of urbanization and modernization. The issues discussed above are illustrated by the case studies in Chapter 8.

Housing production in the private (household) sector

Definition

Housing production in the private sector is clearly the consequence of socioeconomic changes created by the process of renovation in Viet Nam over the past 10 years. There are important differences between the concept of the private sector for urban housing production in Viet Nam and in other low-income countries. In Viet Nam, the private sector refers primarily to housing production by households using their own funds to construct housing for their own use. This concept is similar to the popular sector in other low-income countries because a large part of this housing is constructed without attention to legal requirements. However, it also differs from the popular sector as none of this housing is located in what may be regarded as squatter or irregular settlements.

There has, so far, been a small role for private companies in the production of housing for sale or rent. Although many companies have been created, their

activities have been restricted to the construction of offices, hotels, and other large projects under contract with government bureaus. In 1995, according to the Hanoi Construction Department, there were 220 construction firms with 72 000 workers, of which 60 were state companies with 18 000 workers. The Hanoi Construction Department comprises 27 construction companies with 8 000 workers. There are also hundreds of small businesses to serve the household construction process. These firms prepare house designs, do interior decoration, supply building materials, and provide various brokerage roles. About 50 formal and informal agencies provide market information on land and housing.

Private house construction companies are not sufficiently mature to take the initiatives required to supply the property market with housing for sale or rent. A few small businesses are directly engaged in house construction; their activities are only in the framework of informal submarkets, yet their limited role has advanced the diversification of urban housing production.

Since renovation, the private sector has produced about 70 percent of the new housing in Hanoi and about 60 percent in Ho Chi Minh City (Hanoi Housing and Land Department 1995). This explosion is a result of the following five consequences of renovation.

1. Higher living standards have provided households with sufficient money for house construction.
2. There has been an increased demand for new housing and the improvement of living conditions.
3. The supply of housing by the state-sponsored sector has continued to be lower than the demand.
4. The commercial part of the private sector has a limited capacity to produce housing for rent or sale.
5. Liberalized housing policies have created favourable conditions for households to build or improve their own houses.

Forms of housing in the private sector

The case studies in Hanoi and Ho Chi Minh City describe seven forms of housing production by households:

1. Houses built on land that has recently been purchased by households with sufficient money from savings, higher incomes, or the sale of old houses and land in inner districts.
2. New houses built on the site of old private houses.
3. The sale of part of a household's land in areas or villages surrounding the inner districts to obtain funds for house construction.
4. The repair, upgrading, or rebuilding of old private or state housing. This is widespread in the Ancient Quarter as well as the low-income residential areas in Hanoi.

5. Floor area constructed as an addition to the ground level flats of multistorey blocks and in some cases the upper floors as well. This process is covered in case study 4.
6. Houses built on vacant plots between existing buildings in Soviet style neighbourhoods of apartment blocks.
7. Houses legally constructed by households on land allocated by their employer, such as a local authority, government bureau, or state-owned enterprise.

In the framework of inner-city redevelopment projects in Ho Chi Minh City, hundreds of resettled households have had land allocated to build their own houses, as in the case of Tan Binh and the Fourth District described in case study 2. These households are allowed to build a house of their choice after obtaining the necessary approvals of the responsible administrative authorities.

Taking everything into consideration, the boom in housing production is mainly the result of household self-help. This form of housing production has the following characteristics:

1. Spontaneity, which stems from the demand for better housing within given land allocations or on the site of old houses.
2. Capital for house construction has been accumulated by households over the past 5–10 years. It also comes from overseas remittances, people working under labour contracts or doing business outside of Viet Nam and borrowing from friends, relatives, or families. Bank loans are not important.
3. Building materials and construction labour are readily available.
4. To a large extent there is an ignorance of laws and rules pertaining to house construction. Except for housing built along the main roads, few are constructed with official permission. Households are willing to accept fines for not obtaining a licence to build because of the complicated procedures required to obtain one. Furthermore, they often lack the necessary documents such as a certificate of land use or ownership granted by the city authorities.
5. Diversity in the forms of housing production, sources of capital, price, and quality of construction materials fits the household's financial capacity and housing requirements.

It is easy to observe the scope and quality of housing construction by households. At the low end, there are streets of small houses built with brick walls, tile roofs, and concrete floors that cost 10–20 million VND (US \$1 000–2 000). At the high end are solidly built houses with good architectural design, three-to-four stories high, that cost 300–400 million VND (US \$30 000–40 000) or more. (These prices do not include land costs.)

Housing production in the private sector in Viet Nam requires a large amount of labour, construction materials, and services, which are now readily available. The result is a large number of new houses including many villas; this situation has created much better living conditions for tens of thousands of households. On the other hand, housing production in the private sector has also created many urban development problems, such as unplanned construction, breaks in the architectural spatial order, housing without appropriate infrastructure, and wasteful land utilization. Painstaking consideration of what has been gained and lost, and what is beneficial and detrimental, is an urgent task for qualified organizations in order to provide the groundwork for future housing policies and programs.

The physical form of new houses built by the private sector in Hanoi

According to data from the Hanoi Housing Department, about one million square metres of housing has been built in Hanoi in the five-year period between 1991 and 1995. About 700 000 square metres (70 percent) were constructed by households for their own use; however, there has not been a housing census and these figures are only an estimate.

From observation, it is possible to describe the main physical characteristics of different housing types produced by the private sector in Hanoi.

1. Land area. The typical plot of land for house construction is a 30–50 square metre rectangle, 3.5–4.5 metres wide and 10–15 metres long.
2. Structure. The most common structure is a reinforced concrete frame with a 15-centimetre brick wall infill which is plastered with cement. The narrow space between houses complicates the construction.
3. Architecture. Houses are typically three stories, but vary between two-to-four stories in height. Typically they have concrete roofs which are used for outdoor activities, and open yards for light and natural ventilation.

The facades are a mix of architectural styles, with or without a design plan, and are usually built according to the preference of the landlord or the construction team. This results in what some see as a visual dissonance in the overall architecture of a street, a block, or a cluster of houses.

Houses that are built on larger lots with an area of 60–80 square metres have iron gates, brick fences, and small yards of 5–10 square metres which are used as a parking lot for motorbikes. Few households have the luxury of constructing a garage for future use.

4. Interior equipment, water supply, and toilets. Every house has an underground water tank of 3–4 cubic metres, and another water tank of 2–3 cubic metres on top of the house. An electric pump is used to pump water

to the roof tank. All households try to have one water heater with a shower. Equipment such as toilets and tubs vary greatly in price, as they come from different markets.

5. Construction cost. For houses of average quality in Hanoi, the cost is about 1.2 million VND per square metre of constructed floor area. The typical house has 80-150 square metres of floor space.

Case studies

Case study 5 (see Chapter 8) describes private-housing production in a suburb of Hanoi, while case study 6 describes the special case of housing rehabilitation in the Ancient Quarter of Hanoi. Although most housing is owned by the state, the state is unable to undertake the renovation. It is evident that the residents prefer to undertake rehabilitation at their own cost.

Housing production in the welfare sector

The welfare sector includes the initiatives of many different institutions concerned with the housing needs of social-welfare recipients and low-income public employees that cannot be met by market-oriented housing programs. These institutions include government bureaus, social and private organizations, humanitarian and relief agencies. This sector has added to the supply of housing and has helped to create a more equitable and civilized society. It has a social perspective which regards housing as an instrument of social-welfare policies rather than as a commodity.

The welfare sector provides housing for those who are particularly deserving: families of soldiers killed in the war, heroic mothers, war invalids, and those who have rendered great services to the nation. While land for this housing is allocated by local authorities, the costs of construction are funded by various sources: local funds, social funds, government bureaus, mass organizations, individuals, businesses, local donors, international donor agencies, and overseas Vietnamese. In light of Viet Nam's shift toward a market economy after prolonged wars with profound consequences, programs for the construction of these houses are an initiative of great social significance. In recent years this sector has produced 80 000 dwellings, about 8 000 of which are in Ho Chi Minh City.

The welfare sector also includes programs for housing low-income employees in the public sector. Land and housing costs have increased so much since the elimination of the state-subsidy system that many poor public employees face a difficult housing problem. This situation caused the Federation of Labour in Ho Chi Minh City to propose a housing program for these employees. It has mobilized government bureaus, social and mass organizations,

businesses, and employees to combine their efforts in several experimental projects. A company sponsored by the Labour Federation of Ho Chi Minh City is currently responsible for this project.

Of course, a variety of difficulties have emerged because the program has to deal with both economic and social issues. In particular, the removal of juridical and administrative obstacles is needed to help low-income employees gain access to land and housing. This program is part of the search for means to resolve the housing problem, ensure social justice and possible effective assistance to low-income public employees.

Case study 7 describes the sources of funding for the welfare sector serving the families of war martyrs¹⁹ and seriously wounded soldiers.

Housing production in the informal sector

Informal housing is a complicated subject with many different definitions, including illegal housing, squatter housing, irregular housing, and slums. This housing is the result of rapid urbanization and the consequent growth of the informal sector in low-income countries. Informal housing settlements are considered transitional areas. They are often located on the fringe of cities, on riversides, dumps or under bridges, without infrastructure or with low-quality infrastructure. The lack of control in these areas attracts poor people from the inner city or rural migrants in search of work.

To some extent, these settlements act as a valve to adjust the population pressure and housing requirements in urban areas. Unfortunately, the spontaneous expansion of these settlements also has many complicated social consequences for the residents, as well as more generally for the management of urban development.

Prior to renovation, when urbanization was slow and there was strict control on internal migration through household registration and food rations, there was minimal informal settlement, at least in Hanoi. Starting in the 1960s, the system of residential registration (*ho khai*) was applied to individuals and households in the big cities such as Hanoi and Haiphong. Thus, only those with an official Residential Registration Book (RRB) issued by the police were legal residents of the city. This system was strictly enforced from 1965 to 1975 through the provision of food subsidies based on the possession of an RRB. Immigration into the large cities was virtually impossible as black market food prices were ten times higher than the subsidized food.

¹⁹ War martyrs is a special designation assigned to mothers who have lost sons during combat.

When renovation was implemented in 1986, food subsidies were terminated and the impact of the RRB was minimized as food became plentiful in the cities. This marketization also opened access to the city for people from the countryside. These migrants could survive without an RRB which created many difficulties for the police and the city authorities who lost control of migration. This resulted in an almost immediate establishment and expansion of informal settlements.

To take account of the new situation the police devised a new classification system for residents. Legal residents (KT1) have a RRB which lists the address where they actually reside. Semi-legal residents (KT2) have a RRB from the same city, but reside at a different address from what is listed. Illegal residents (KT3) have no locally issued RRB. To study this problem two case studies were carried out. Case study 8 (see Chapter 8) covers the Chuong Duong ward, Hoan Kiem district of Hanoi. Case study 9 covers the Xom Ma (Village of Ghosts), Ward 12, Binh Thanh district of Ho Chi Minh City. These show how informal settlements form and expand, although their growth is slow, especially in Hanoi. The people who live in these settlements are mainly poor urban residents who have drifted to the outskirts of the cities due to difficulties in housing, employment, and income.

There are few permanent rural migrants, especially in Hanoi — most of them come to the city on a seasonal basis without their families. They earn a living doing many different jobs, occupy temporary shelters called “pop-ins,” and usually return to their village after a while. In Ho Chi Minh City the informal settlements include longtime residents of the city, rural migrants, and urban residents who have returned from the New Economic Zones (NEC). Because of historical reasons, including wars and different patterns of urbanization, the settlements in Ho Chi Minh City are larger than in Hanoi.

In common with illegal settlements worldwide, housing quality is poor. The structures are temporary and constructed by the residents using cheap or scrap materials. Infrastructure such as clean water, electricity, drainage, and waste collection is seriously deficient. Some self improvement of living conditions by individual households can nevertheless be observed. Networks of community relations and organizations are a part of daily life, but, in most cases, these do not extend to organized mutual assistance to improve housing conditions.

The attitude of local authorities toward the households in these settlements is flexible. There are no drastic evictions, except for cases that threaten general security. Furthermore, some rural migrants are allowed to register their provisional residence in the city. This is acknowledged by urban managers and

policymakers, and is referred to in several documents on the Urban Housing Strategy to the year 2010.

The dynamics of market-oriented economic development are increasing urban living standards and sharpening the disparity between urban and rural areas. This will surely increase the pull of cities and lead to an increase in rural-urban migration. At such times, the problem of illegal settlements will be much more complicated and severe, and will present a serious challenge for urban managers in the coming decades.

Some recommendations to improve the situation are:

- The municipal administration should publish urban plans as soon as possible to allow people to occupy land, build, and upgrade their housing with confidence. Evictions, when necessary, require careful preparation and programming to prevent harmful psychological effects and to avoid the creation of new slum areas.
- Grassroots communities should be strengthened to create conditions for people to voluntarily improve their own lives and environments.
- Regulations on permanent rights to land and housing should be institutionalized.

Chapter 8.

Case studies

Case Study 1.

Resettlement compensation by relocation in apartment buildings: Ho Chi Minh City

This is a case study of the resettlement of 26 households who purchased apartments in newly constructed buildings in Ward 9, District 3, Ho Chi Minh City in November 1995.

Ward 9, District 3, Ho Chi Minh City has 19 939 people in 3 832 households with permanent or temporary RRBs. One-third live along the Nhieu Loc canal which traverses the area. In the first stage of the resettlement program designed to improve the river flow and ameliorate the living condition of the poor, 91 households received resettlement compensation. Sixty percent of these households registered to buy apartments in new five-storey apartment buildings constructed near their former homes.

In November 1995, a survey was conducted of 26 households that bought apartments in Ward 9. Eight households paid in full and received a 10 percent discount, 18 paid 50 percent as a down payment and the remainder will pay the full amount by installments over 10 years. The installment purchasers can, however, pay off their loan at any time.

The resettlement was started before the housing was constructed and 15 out of the 26 households had to move into transitional housing for one-to-eight months. Unfortunately, this low-quality housing was a long distance from their former homes. This situation created employment difficulties for the residents and hardship in the process of resettlement. The compensation per household was based on the land area, location, and quality of the house that was acquired. The maximum compensation per household was 240 million VND (US \$22 000).

On average, the new apartments have a floor area of 40 square metres although a few have 60 square metres. The price of the apartments on the third to fifth floors varied from 70-120 million VND (US \$6 400-11 000). Apartments on the ground and second floors were sold at their market value, which varied from 140-160 million VND (US \$13 000-15 000) and buyers had to pay this amount in full. Several displaced households who received high compensation purchased these apartments to open businesses and thus derived substantial benefit from the scheme. Eleven of the 26 households (42.3 percent) had to borrow from 3 to 50 million VND to pay for their new apartments.

The residents stated that the scheme improved their living conditions and facilities by way of: a larger and better apartment (92.3 percent), better internal lighting (92.3 percent), lower humidity (83.5 percent), a more reliable supply of electricity (84.6 percent), and a more reliable supply of running water (80.8 percent). The survey also revealed that 13 out of 26 households gained more space per person, and 25 of 26 households gained more durable buildings.

There are, however, some disadvantages. A number of very large households, previously situated along the canal found there was not enough space to accommodate everyone who was displaced. Thus, 9 of the 26 households (24.6 percent) were not fully accommodated and as a result, 64 people had to reside elsewhere. Half of these people now live in other apartments that belong to the same urban district, 15 rent rooms, and 12 were given rooms by their work units. The scheme has also caused some undesirable changes in employment. Four of the 26 households found access to work more difficult, and as a result had less income. One household could not find jobs for all of its members.

Finally, the survey examined household mobility and found that 17 out of 26 households, or 65 percent, want to live permanently in the new settlement. Of the remainder, four households were trying to sell their apartments on the ground floor with the intention of carrying on their businesses as previously; three households had a wait-and-see attitude to their future housing; and two sold their apartments after two months for 10-15 million VND (US \$1 000-1 500) profit.

Case Study 2.

Resettlement compensation by land allocation for new house construction: Ho Chi Minh City

This is a case study of 14 households in Precinct 17, Tan Binh District, Ho Chi Minh City, whose houses were acquired by the city for municipal development. These households received financial compensation and then purchased lots which were allocated to them for the construction of new houses. Even when the household did not intend to construct a new house on the allocated land, its purchase and later resale was the best option.

House construction for private household ownership is booming in Ho Chi Minh City. These households use land they previously owned or have recently purchased. In addition, hundreds of houses have recently been constructed in District IV and Tan Binh on land allocated by the city to households whose houses were forcibly acquired. This is an alternative to resettlement in multistorey apartments and increases housing options. It is, however, only possible in districts that have a large land reserve and its future is therefore uncertain.

Of the 14 households studied, 12 constructed houses that occupied all of the land that they received. The other two households only used part of the land and sold the remainder to obtain funds for construction.

This scheme is called a "land for land solution," but the process is more complicated than what is implied. The resettled households, most of whom occupied ramshackle houses, were compensated in cash based on the value of their property, and then purchased 52 square metre lots allocated to them by the city. Those who received more cash were able to purchase the land and still have sufficient funds left over to build a house. Those who received less had to borrow money in order to take advantage of this scheme.

Of the 14 households studied, 6 (43 percent) received compensation that was equal to or exceeded the price of the lots that they were allocated. For example, one household received 110 million VND but only required 25 million VND to pay for their lot. They used the remainder to build a new house without the need to borrow any money. By comparison, another household received 50 million VND, paid 23 million VND for their lot, and then borrowed 20 million VND to construct a new house. The eight remaining households (57 percent) received less than the cost of their lots. These households had to borrow from 5–25 million VND to build durable houses with higher ceilings than their former dwellings.

Spatial planning for the new residential quarter was well conceived and orderly. The compensation gave the residents an opportunity to have larger and more durable new homes, but it did have some shortcomings:

1. Most households could not afford to buy any of the 117 lots that had been allocated to the project. Those who did buy a lot were wealthy and able to build durable multistorey houses. The other households sold their lots.
2. The provision of clean water is inadequate. Job creation has been difficult as the residents wait for markets to develop in the area. There has been little promotion of community activities. Finally, the greatest limitation is the need for a large reserve of vacant land, if this approach is to be replicated.

For the present, this method of compensation has been discontinued in favour of resettlement in multistorey apartment buildings to make more effective use of municipal land, which is becoming an increasingly scarce and valuable resource.

Case Study 3. **Three forms of housing in Hanoi**

This is a case study of Quynh Mai precinct, Hai Ba Trung District, Hanoi. The precinct was created in 1987 on the site of the former village of Quynh Loi, a small settlement with 14 apartment buildings belonging to various state agencies and enterprises. There were a few government offices, factories, and enterprises in the precinct but almost nothing in the way of infrastructure.

After 1991, facilities such as clean water, electric transformer stations, roads, schools, medical centres, and the offices of the local People's Committee were constructed. The residents of Quynh Mai are mainly government employees and factory workers. Half of the residents are administrative personnel and workers in the March 8 Knitting factory, which is located not far from the precinct.

There are now 12 000 people and 2 800 households in the precinct, who occupy three main categories of housing, each in a separate area. A total of 25 households were surveyed.

1. Area G

Twelve households were surveyed in this area, which was previously occupied by workers in the March 8 knitting factory who lived in bamboo houses. The houses were demolished in 1990 and each household was given legal tenure to a lot on which to build a house. This legal tenure in private ownership has a very high value.

The survey showed that one-half of the households could afford to build new houses on their land, while the other half sold their land to others who could afford to build. This scheme is costly because of its low land-use intensity in the face of limited land resources, and the lack of control over the design. Most of the technical infrastructure was built with funds that had been allocated for construction of the factory.

2. Area F

Seven households were surveyed in this area which was vacant land prior to 1990 when the municipal Housing Development Company invested in the construction of two-storey houses. These houses were sold at prices ranging from 45-90 million VND (US \$4 500-9 000).

This is a good example of state-sector activity in the production of housing. In this case, the city committee allocated land to its housing enterprise to build houses for sale at market prices. The houses built in Quynh Mai are separate two-storey buildings, but the quality is not high. Most buyers have had to make minor renovations to satisfy their minimal requirements.

3. Area C

Six households were surveyed in this area. It contains housing in need of repair and some very old three- to five-storey buildings. Many households in ground floor apartments enclosed surrounding areas to enlarge their homes, or to operate shopping kiosks and other small businesses.

Households on the second and even third floors have subsequently enlarged their own apartments on the roof of the ground floor extensions. This is

a unique housing development. It is completely irregular with regard to structural design and construction regulations, and is illegal. Nevertheless, this phenomenon is common in Hanoi.

This case study of 25 households illustrates several forms of housing in a small residential precinct. The variety stems from specific historical conditions of land development in the area. It also reflects the various forms of residents' needs and offers various solutions to Viet Nam's current urban-housing demand.

Case Study 4.

The irregular conversion of state housing in Hanoi

This is a case study of Area C in Quynh Loi Precinct, Hai Ba Trung District, located to the east of central Hanoi. The precinct has an area of 251 000 square metres, divided into 10 residential clusters, with 11 096 people in 2 675 households.

The precinct contains three hamlets, Thang Loi, Tien Phong, Tan Loi, and three collective buildings in need of repair that were constructed about 40 years ago and are now very old. All the former ponds in the precinct have been filled for the construction of houses.

Houses in the precinct fall into the following categories:

1. privately owned and occupied houses;
2. privately owned rental houses;
3. rental houses belonging to the state and controlled by the Housing Enterprise of Hai Ba Trung District;
4. houses built on illegally occupied land; and
5. houses built on land leased and controlled by state agencies.

There is also a sixth category of houses with no clear right of ownership — even the occupants are unaware of their status, which prevents them from obtaining construction permits. Houses constructed without a permit are allowed to remain but the owner is fined. According to a report of the precinct People's Committee of 103 construction projects in 1995 (15 new houses, 88 houses renovated) only five projects (4 percent) had construction permits. In the first half of 1996, of 65 durable houses constructed, only four (6 percent) had permits. Thus, it is evident that local authorities are not able to control construction and renovations in this precinct, in particular the improvement of the low-quality state housing.

A representative survey was conducted on the process of housing conversion in Area C. It has 22 buildings, numbered C1 to C22, constructed in 1959 to provide accommodation for the then rapidly increasing number of state employees. All buildings in this vicinity are controlled by the Housing Enterprise of Hai Ba Trung district. The rental agreement requires that the tenants pay a

monthly rent and that the enterprise take responsibility for maintenance and repairs. The enterprise has, however, not carried out its responsibility; the houses are now badly deteriorated and about 50 percent of households have refused to pay rent for several decades.

Area C originally consisted of long brick buildings with tiled roofs. Each building had 12 apartments of 24 square metres, with the same layout — a living room, yard, and kitchen. Two families shared a bathroom for washing, but there was only one communal WC for the whole area. The distance between buildings was 8 metres and the main road was 12 metres wide.

Over the past 30 years, Area C has completely changed. The distance between buildings is now a narrow winding path 1–1.5 metres wide. Along the main roads, there are two- to three-storey houses of various sizes, structural designs, and qualities of building materials. The former 12-metre wide road is now only 3.5–4 metres wide. In the past, each building contained 12 households, now there are 30.

The case study shows that all of the households carried out some form of construction. The most common tactic was to enlarge their apartments beyond the allotted area to create more space for household use, sale or rent. This construction is illegal and the households had to pay fines to the precinct control team. Thirty percent of the houses now have two- to three-stories; most are built on vacant land occupied illegally and then sold to newcomers.

In 1990 and 1991, the Housing Enterprise of Hai Ba Trung District sold the original apartments to the tenants at a price of 3.5 million VND for 24 square metres. Because there was little information available, many households did not know about the sale. Other households knew about it, but did not buy, believing that it was cheaper to pay rent. Thus, only 10 percent of the apartments have been sold to their tenants. Those who did buy an apartment are eligible for a construction permit, and do not pay the fines for illegal construction imposed on others.

It should be noted that while considerable efforts went into encroaching on open land either to create more space for the household or for sale, only small repairs were done to the original apartments, such as tiling the floor or putting on a new door. Even less was done to improve the kitchens and toilets. This may be due to the low overall standard of infrastructure that discourages such improvements. Eighty percent of the households still use the collective WC.

Many people in the precinct occupied land illegally, built houses, and sold them to other households. Consequently, most old blocks of houses are now surrounded by newly built ones of various design. Few interior improvements have been made and the infrastructure remains overloaded. This result is typical of spontaneous irregular urban housing in Hanoi.

Case Study 5.

Housing production in a suburb of Hanoi

This is a case study of the suburban housing production process in Vi Hau Hamlet, Dich Vong village, Tu Liem District, Hanoi. Dich Vong village is located on the border between the urban and suburban areas of Hanoi and has about 8 500 people in 2 300 households. It is next to Cau Giay town in Tu Liem district, where rapid urbanization is occurring. In the past the residents produced mainly rice, vegetables, and subsidiary crops.

In recent years, the area of cultivated land has been greatly reduced due to its conversion for housing and road construction. A small number of labourers are still working in agriculture in this village. Many households have turned to trading and operating small industries.

The living standards of people in this area are above average, with no households classified as poor. The wealthiest are generally those who operate small industries or services, or are immigrants who have purchased land in the village to build houses. Some of the poorer local residents with large plots have sold some of their land, which has provided sufficient funds to construct new houses for their own use as well as to save some in an interest-bearing bank deposit. This has virtually renewed their lives.

Vi Hau is divided administratively into three lanes: lane 1 and lane 2 are areas of previous residents and lane 3 is a community which was formed during the last five-to-six years by families who moved from urban multistorey buildings.

A survey to categorize the housing was conducted with 25 families.

- Eight houses are ten or more years old, substantially repaired and renovated. The owners are former cooperative members or retired cadres and military personnel.
- Seven used to be houses with large gardens owned by local residents. Three of these owners sold part of their land and used the proceeds to build new ones. The other four owners gave part of their land to their children who built new houses.
- Eight are modern houses with comfortable facilities owned by state employees from the inner city who purchased land here.
- Four are houses that are gradually being upgraded by households saving for this purpose.
- Three households sold part of their land. Another three sold their houses and relocated elsewhere.

Some households had several sources of funds for housing, including eight households who borrowed money from relatives or friends.

The procedure for obtaining permission to build is simple and house builders seldom encounter any administrative difficulties or obstacles. All that is required is an approval from the head of the hamlet and the People's Committee. Once approved and is given, there is no further examination of building plans or architectural design. In any event, only wealthy house builders prepare architectural designs.

Of the 25 households, the funds for house construction come from a variety of sources including borrowing from friends or relatives. These experiences were noted:

- eleven households became rich within the last five to seven years;
- five other households received remittances from relatives working abroad;
- four households built and upgraded their houses gradually; and
- three households sold houses located in other areas.

Having constructed a new house or renovated their existing accommodation, 19 of the 25 families stated that they were satisfied with their living conditions. Five families indicated their intention to enlarge or upgrade their current houses.

Case Study 6.

Housing renovation in the ancient quarter of Hanoi

This is a case study of Hang Bo Street, Hoan Kiem District, Hanoi, located in the ancient city, or "36 Street Quarter." Tube houses²⁰ built nearly 100 years ago are predominant here. A survey was conducted of 20 households to study the recent processes of renovation and repair of these houses to improve their living conditions.

Many households share large tube houses, which typically have a subordinate area for a kitchen and toilet as well as a small yard. The houses are normally divided into small rooms, and are often dim and humid due to the lack of light and fresh air. The infrastructure is old and overloaded, with a shortage of clean water and a stagnant sewage system. There is a lack of space to dry clothes and no outdoor space for leisure activities. The residents have recently made a great effort to improve and enlarge the small space they occupy.

The residents come from various social strata and include cadres, state officials, retirees, craftspeople, and traders. Ninety percent of the households are

²⁰ The term "tube house" is informally used to refer to the traditional type of urban building, which comprises much of the oldest section of Hanoi. These one- and two-storey structures are characterized by their narrow street-frontage (two- to four-metres) and extreme depth in from the street (twenty- to forty-metres or more), and their mix of residential and commercial street-front activities.

tenants of state-owned houses. They pay a very low rent that has remained virtually unchanged since the 1950s.

Due to the unique character of the ancient streets, the People's Committee of Hanoi has issued strict regulations on building renovation. Many households want to renovate their homes, using their own money for repairs and improvements, while continuing to pay rent regularly. This approach is not easily accepted by the administration, even though it is cheaper than following the complicated procedures of the bureaucratic management board. Consequently, even those who can afford to improve their home according to the municipal process face significant difficulties, and many households have simply accepted living in bad conditions.

Only two among the 20 households surveyed were able to rebuild or renovate their houses, because they were privately owned. Almost all the remaining households spent money on small repairs such as improving toilets, kitchens, yards, roofs, doors or walls. But even these are difficult as the households must obtain agreement from their neighbours to do the work. Of the remaining households, two wanted to improve their houses and were waiting for new government policies and regulations; three others wanted to renovate but found it too difficult to do so; and two indicated they intended to move to a new place with better living conditions.

The case of Hang Bo Street illustrates a complicated and difficult area of housing in Hanoi. One important reason for the difficulties is that there is not yet a unified point of view on urban preservation. Thus, feasible solutions to the housing problems in this area have not yet been found.

Case Study 7.

Funding for construction of houses in the welfare sector

Ho Chi Minh City has 38 331 households with 38 915 war martyrs and 16 069 households with soldiers who were seriously wounded. All of these households will eventually benefit from various housing programs. These include houses of charity, and the provision of house cores and building materials for people to construct their own dwellings.

From 1975 to 1993, Ho Chi Minh City constructed 6 557 houses of charity, and provided 5 515 house cores to families of war martyrs and seriously wounded soldiers. In addition to the charity houses and house cores, 8 489 households received one savings book, the total cost of which was 4.2 million VND (US \$420). These programs mobilized the resources of 1 483 contributors including the state, social organizations, non-governmental organizations (NGOs), and individuals in Ho Chi Minh City and abroad.

In Hanoi there are 22 708 households with 24 888 war martyrs and 16 554 households with seriously wounded soldiers. From 1990 to 1995, the city constructed 1 057 houses of charity, repaired 1 917 houses, and leased 35 apartments for the families of war martyrs and seriously wounded soldiers.

Funding sources for the construction of houses of charity in Hanoi were also mobilized from various state and social organizations, and industries. In 1995, the Hanoi Fatherland Front donated 727 226 000 VND to localities for the construction of houses of charity for the families of war martyrs and wounded soldiers. Also in 1995, the city gave these families 3 477 savings books worth a total of 1.14 million VND (US \$114).

Case Study 8.

Formation of an irregular squatter settlement in Hanoi

This is a case study of dwelling group 5A, Chuong Duong Ward, Hoan Kiem District, Hanoi. This group of dwellings has 2 100 people in 500 households, of which only 310 (62 percent) have household registration books. A survey of 20 households was conducted.

The dwellings occupy a stretch of land along the Red River, which is only one kilometre from the centre of Hanoi and has the appearance of a zone of transition between the city and the river. Some decades ago, it was used as a garbage dump, as well as an agricultural area for the cultivation of maize, sweet potatoes and duckweed.

Initially, apartment buildings were constructed to provide accommodation for government employees; gradually, people from the city and other provinces arrived and built houses. As well, a residential district with temporary houses and poor infrastructure took shape.

There are four main types of residents in the area:

1. city residents comprising government employees and poor working households who were allocated accommodation;
2. in-migrants from other provinces or those returning from new economic zones, usually with large families and no stable jobs;
3. lodgers, such as cyclo-drivers, porters, and bricklayers, who come from the countryside after the harvest and live in cheap boarding houses; and
4. petty criminals and other marginalized groups who live in slums called "daring hamlets."

Twelve of the 20 households live in temporary houses made of cheap building materials, including thatched roofs and earth walls. Some have built their houses adjacent to the river, a location that is vulnerable to floods. Three households built semi-durable houses and eight built durable houses. The latter are on the main roads and the households are not very poor.

All of the households used their own funds to build their houses without any outside financial support, but many did have help from relatives and neighbours. Using cheap building materials and labour, houses could be built here for 30 percent less than other locations. The houses were built without permits, although some residents did formally request permission of the local People's Committee. Many plots were possessed illegally and then repeatedly bought and sold with written documents that have no formal legal standing.

There is no formal infrastructure in the area; most people obtain electricity by illegal connections to the main line, and only a few people have electric meters. There is no clean piped water, therefore, it must be purchased from households that own a well, or that have an electric pump that draws water from the public piped supply. Without a sewage system, wastewater is absorbed into the soil or runs freely on the surface to the river. Most families do not have toilets, but use a collective toilet or lay waste on the river bank. Uncollected rubbish also contributes to the polluted environment.

The residents surveyed stated that the local administration should accept the existence of their residential area and upgrade the basic infrastructure. There have been few decisive attempts to clear these residential districts and in general they have been accepted as semi-legal. This solution is acceptable in the short term. However, the city must develop a long-term strategy with programs to solve the irregular residential district problem thoroughly and permanently.

Case Study 9.

Formation of an irregular squatter settlement in Ho Chi Minh City

This is a case study of Ma Hamlet, (Ghost Hamlet) Ward 12, Binh Thanh District, Ho Chi Minh City. This is a poor district with 22 873 people in 4 700 households. The Ward has more than 90 small- and medium-scale private craft and municipal industries. It has four street blocks with 70 groups of residents; five of the groups were formed five-to-six years ago on land that had once been the Binh Hoa cemetery and is now Ma Hamlet.

The Hamlet started when small tents first appeared which were set up at night. Several adventurous households then occupied the site by constructing makeshift shelters, and later more permanent houses were erected. By January 1994, Ma Hamlet had 1 786 people in 337 households.

The survey of Hamlet households was conducted to study the community history and evolution of squatter settlements as well as the difficulties and obstacles that need to be overcome to improve the living conditions of the poor. The community took shape with a wave of arrivals in the late 1980s when the housing market experienced serious fluctuations and prices skyrocketed.

Twenty-two households were interviewed with the following characteristics:

1. Fifteen households had returned from new economic zones and now have temporary residential status and registration books.
2. Six households had sold their former houses to buy less expensive ones in Ma Hamlet. The written documents covering their purchase have no formal legal status and they have no registration books.
3. One household of a young newly married couple who purchased a house here.

The households with no permanent residential registration books, no land-use permits or land-use tax payments, have encountered difficulties when looking for a job, doing business, or seeking public services. The labour force comprises 55.6 percent of the population, but only half have stable employment and 18.2 percent are jobless. Most labourers work as cyclo-drivers, waiters, brick layers, and tailors. Ma Hamlet is home to only a few engineers and professional administrative workers; most of the households have an average monthly income of 120–200 thousand VND per capita (US \$12–20)

Most of the houses in Ma Hamlet were built from inexpensive easy-to-find materials such as broken bricks, wood, planks, roofing iron, and tin boards. Many have earth walls, thatched or oiled paper roofs, or roofs made of old roofing iron — very few have cement floors. Only 65.4 percent of the households have legal electrical connections and 7.4 percent have running water, others have to purchase their drinking water. Most households have drilled wells to obtain water for washing and cleaning.

Among those surveyed, seven households had upgraded their houses from thatched roof to roofing iron, wood walls and old baked-tile floors; some had wooden garrets built. Nine households were saving money to upgrade their houses by repairing the roof to reduce humidity and prevent fires. Many people who were interviewed stated that considerable improvement had been made in the material and social environment of the living quarters during the last three years, and that they enjoy a cleaner and safer environment. There have also been positive improvements in community relations for mutual help to improve living conditions, sanitation, and security.

Chapter 9.

Renovation and urban housing: obstacles and prospects

A decade of renovation

Looking back after nearly a decade of renovation, revolutionary changes are apparent in urban housing in Viet Nam. They reflect the multidimensional socioeconomic impacts of renovation.

1. The subsidized housing system has been abandoned and gradually replaced by a new market-oriented system of housing supply. There are now at least four sectors of urban housing production at various scales: state-sponsored business, private, welfare, and squatter that have contributed to the housing stock and satisfied the increasing demand of the population.
2. Housing production and distribution have been diversified, replacing the previous government monopoly. This has stimulated the initiative of state, private, household, and community sectors.
3. The concept of an enabling strategy has been uppermost in the draft legal documents prepared by the government. The worldwide lessons on housing have been heeded, whether intentionally or unintentionally. Examples include low-cost housing projects based on sites and services, upgrading and self-help models for the poor and low-income households.
4. The most striking aspect of housing since renovation is the superiority of self-constructed housing by the private and informal sectors. In fact, the household has become the strongest and most essential housing producer. This initiative has created diversity in the quality, scale and cost of housing to satisfy people's diversified housing demands.

The explosion of spontaneous construction at the household level has resulted in basic changes in the concepts, guiding principles, and objectives for urban housing by demonstrating that people can take care of their own housing requirements. The dynamism of urban housing production during renovation has proved the viability of the new concepts and approaches that have been adopted.

Unresolved, however, are the levels and forms of government intervention and management that should be adopted to maintain and enhance these achievements. Choosing what is best for Vietnamese society, as well as for individual households, is a major governmental challenge.

5. The present production of urban housing is characterized by spontaneity and irregularity of housing construction. Government control now seems to be ineffective. Its role in housing production has been blurred.

Although it enjoys various advantages, the state-sponsored sector remains relatively weak. The private sector is newly formed and is not playing on the same stage as the state-sponsored sector. This is a reflection of the perplexities in macro-management, not only with regard to urban housing but throughout the economy.

The spirit of renovation in housing needs to be supported by strengthening the institutional, managerial, legal, and financial capacity which will mobilize the full potential of the various urban housing production sectors.

Policy implications

To ensure sustainable urban housing production under renovation, many obstacles must be overcome. Housing research frequently focuses on the identification of input obstacles to housing production, such as land, service, labour, material, capital and the production management process. It is true that these are important factors affecting the success or failure of housing programs and strategies.

In addition to inputs, bottlenecks in the outputs of the process have to be considered — namely, how housing demand is satisfied. Clearly there has been a persistent inadequacy, not only in the quantity and quality of housing output, but also in its distribution. The market economy in housing primarily serves those who have money, while the poor fail to find adequate shelter.

In spite of the above, the most critical obstacles to housing production are found in the legal and institutional environment. There is still no concrete concept of the role of housing in the process of national and urban socioeconomic development planning. This is in sharp contrast, for example, to Singapore where housing is an inseparable part of such planning. Housing is not only a social-welfare issue, but first and foremost an economic production sector that is able to absorb labour, generate jobs, and support socioeconomic development.

A new legal environment is taking shape in all fields, but the uncertainty created by the constant amendment of inadequate rules is a significant obstacle to housing investment, especially in the private sector. It is not uncommon to find rules, policies, and regulations that are repetitive, overlapping, or contradictory. Sometimes rules may be applied retroactively creating another pitfall for housing producers who observe the law.

The present institutional arrangements have too many overlapping agencies jointly managing, partly managing, or attempting to wholly manage the housing

sector. These agencies are in land management, construction, purchasing, sales, transfers, maintenance and taxation. Nevertheless, there is no lead agency to provide overall guidance. The result is an ineffective housing management system.

One of the most important challenges in the present housing production process is to overcome the obstacles created by the legal environment and institutional framework that adversely affect housing production in all sectors.

Social problems, created by site clearance for housing or urban improvement, and the resettlement of residents are extremely difficult to deal with. This is especially the case in the absence of clear policies, administrative frameworks and understanding between the residents and government authorities at all levels.

Households acting as popular housing producers have a single-minded objective that allows them to zigzag through the labyrinth of rules and regulations. The spontaneity and irregularity of the housing they produce disturbs the spatial, social, and architectural order of cities; this creates adverse impacts on safety, security, convenience and the provision of infrastructure.

Finally, urban housing production spurred by renovation is threatening urban cultural preservation. This is extremely difficult to overcome and could result in a serious loss of identity of several population groups.

Policy suggestions

The following policy suggestions for a sustainable, urban-housing production process in Viet Nam are based on the achievements and obstacles analyzed above. Our major conclusion is that much remains to be done in the legal and economic fields to develop policies that will spur the growth of urban housing production. This will require creativity in the context of Viet Nam's institutional framework. The objective of growth is not simply to increase the quantity of housing produced. It is important to question who produces the housing, under what conditions, and for which households.

What follows are suggestions aimed at improving the legal environment, reorganizing institutional arrangements, and enhancing Viet Nam's capacity in order to exploit, strengthen, and consolidate the achievements created by renovation.

1. Confirm a new role for government in urban housing in the context of the evolving market economy. Suggestions on how this can be done include:
 - orienting the government role to forward-looking strategic approaches and policies for housing production and finance;
 - implementing the enabling approach described in the draft document Housing Strategy to the Year 2010, including the creation of

favourable conditions for all sectors: state, private, welfare and informal; and

- reforming institutional arrangements to clearly assign the new government roles that are required as a consequence of renovation. This could, for example, be achieved by concentrating authority in a National Housing Agency, along with other supportive and consultative organizations.
2. Heighten the role of housing as an integral part of national socioeconomic development planning rather than part of the infrastructure that follows development.
 3. Make effective urban planning a function of urban management so that housing problems can be resolved more effectively.
 4. Enhance the role of all the housing production sectors — state, household, private, and welfare — in order to free all potential resources to the fullest possible extent.
 5. Diversify the role of the state-sponsored business sector to enhance independent housing production, capital mobilization, and investment, while also attending to the social aspects of housing for the poor and low-income households.
 6. Adopt a realistic legal regime so that the private sector is not blocked by government and can become an equal participant with the public sector. Such a regime could incorporate experience from the welfare sector to develop a significant social-housing sector in Viet Nam.
 7. Focus government and society's attention on housing for the poor. They require rental housing, and a purchase-by-installment system that includes some privileges in terms of land and housing, as well as rent and infrastructure costs.
 8. Formalize site clearance, compensation, and resettlement procedures and give more consideration to the integration of residents in their new settlements. This is a national concern because there are numerous examples of inadequacies, inequalities and lack of responsibility toward the poor. Thoughtful upgrading of the housing in poor communities should replace wishful thinking concerning the rapid elimination of this housing.
 9. Improve urban housing finance by exploring alternatives with the banks. Experiment with collateral loans for housing, institutionalize savings accounts for housing to attract people's idle funds.

Continue cross-subsidies by using the revenues from high-income housing to support housing for the poor.

10. Use community resources in low-income areas to enhance self-reliance for the improvement of housing and minimum infrastructure such as roads, electricity, clean water, waste-water treatment, and garbage disposal.
11. Adopt regulations to solve the problems of land tenure and the ownership of housing to overcome a long-standing historical legacy. Security of tenure is required so that people can have peace of mind to invest in construction on their land.
12. Support scientific research on urban housing and the management of urban development. An urban-housing research centre could, for example, be established with a consultative role as well as serving as an independent source of social-science research on housing policies.
13. Conduct a general statistical survey of urban housing to provide a database for the management of housing and urban development.
14. Diversify international cooperation, particularly with countries facing similar urban conditions in Southeast Asia.

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PART III.

HOUSEHOLD ECONOMY

Vu Tuan Anh

Tran Thi Van Anh

with Terry G. McGee



Chapter 10.

Household economy under impacts of economic reforms in Viet Nam

Introduction

The task of the "Household Economy," sub-project of the research project on "Impacts of the Renovation Process on Socioeconomic Development in Viet Nam," was to design and conduct empirical research regarding the changing situation and role of household economy during the economic renovation. This included defining key policy problems to be solved in long- and short-term periods, and elaborating recommendations to policy-making authorities on macroeconomic and social policies affecting household development.

Aims of the study

The aims of the study were fourfold:

1. To explore certain conceptual ideas concerning the nature of the household in a partial market economy, such as Viet Nam.
2. To collect data on the demographic characteristics of households, the economic behaviour, deployment of labour, income, savings and expenditure, and other aspects of internal household relations, particularly relating to gender and age differentiation and how they may affect household decision making.
3. To test a variety of technical approaches to data collection at the household level, which ranged from socioeconomic surveys to qualitative interviews. Particular attention was paid to the more qualitative approaches of data gathering.
4. To examine the policy implications of this kind of research — particularly how to utilize micro-level studies at the household level to better inform policymakers who usually receive information at an aggregated level in plans and reports. (Household studies could provide another dimension to information, and thus to more carefully considered policy making.)

Rationale

The household unit is, at least in part, economically responding to decisions implemented at national and other levels which affect household behaviour. For instance, the decision to encourage foreign investment in "free export zones"

may have a substantial affect on the labour deployment strategies of households in adjacent areas. In the same way, a decision by the government to decrease consumer expenditures through a tax on retail sales may cause a substantial "underground economy" to develop at the household level. Thus, household studies become important to understanding impacts of the macro processes of social and economic change that have been occurring in Viet Nam over the last decade.

Method

The research team collected data on the development of the household economy in Viet Nam during the nineteenth and twentieth centuries. The team also analyzed the results of national household surveys conducted in the last few years, such as "The Survey of Rich and Poor Households in Rural Areas 1992-93," the "Living Standard Survey 1993," and "Census of Agriculture and Rural Areas 1993-94." Additional data was collected through field surveys in several sites in urban districts in Hanoi and Da Nang, several villages in the Red River Delta, the northern mountain provinces, the central coastal provinces, and the Mekong River Delta.

Our own surveys were of three types:

1. village household surveys using interview schedules and questionnaires to collect basic demographic, economic, and social data;
2. open-ended interviews with key informants such as government officials; and
3. life histories of a limited number of households at each surveyed site.

Information collected by the other three teams in urban and rural Viet Nam was also considered.

The study was divided into three main phases of data collection and analysis. Phase One, which occurred between May 1990 and 1991, involved: discussions between the Vietnamese investigators and their Canadian counterparts on the aims of the research; training in techniques of qualitative interviewing such as the mapping of family trees in order to place family members within their current households as well as previous households; and the selection of field sites in which data would be collected.

Phase Two, between 1992 and 1995, involved the collection of data from the field sites both in quantitative terms (a cross-sectional survey) and qualitative terms (individual open-ended interviews). The preliminary results of this research were presented in a series of workshops and conferences held in Canada and Viet Nam.

Phase Three was conducted from 1994 to 1996, and involved the analysis and preparation of the final report for the funding agency, IDRC.

This chapter focuses on the theoretical- and macro-processes that are shaping the formation and economic activities of households in Viet Nam in the period from 1990–1995. The results of the surveys and field research carried out by the household research team have been reported in Tran Thi Van Anh (1995); Terry McGee, Tran Thi Van Anh, Vu Tuan Anh (1996) and Vu Tuan Anh and Tran Thi Van Anh (1997).

Theoretical and methodological issues

From the NCSSH-UBC project's inception, the idea that the household was an important category for all four research teams was supported by all participants. It was very clear that the economic behaviour of households in both rural and urban areas is central to rural development (as in decisions to shift from rice to other crops); urban housing (as in decisions to rent, purchase, or improve housing); and welfare policy (as in the effects of government cutbacks on households taking responsibility for themselves. Thus, the changing household in Viet Nam emerged as a frequent topic of discussion in all project-review meetings.

There was, however, no clear understanding of the definition of household and family in the Vietnamese context. Without going into complicated cultural contexts and debates (Netting et al. 1984), we believe that the major difference between the household and the family is that the household is a task-oriented residential unit made up of kin and sometimes non-kin, while the family is a kinship grouping that may not be tied to a residential unit. However, it is through the commitment to the concept of family that people form households to enter into relationships of production, consumption, accumulation, transmission, and socialization. Thus, households are:

a primary arena for the expression of age and sex roles, kinship and socialization, and economic cooperation where the very stuff of culture is mediated and transformed into action. Here, individual motives and activities must be coordinated and rendered mutually intelligible... Decisions emerge from households through negotiation, disagreement, conflict and bargaining. Decision to marry, to build a house, to take in a relative, to hire a maid, or to migrate are seldom made or acted on by isolated individuals, because such decisions necessarily affect household morphology and activities (Netting et al. 1984, p. xxii).

This discussion raises three questions that are crucial to our study.

1. What are the appropriate definitions of household, family, and income?
2. How are the economic characteristics of households changing?
3. What are the main processes of change in the economic features of the household?

The definition of household

For a long time, we thought we knew what was meant by the term household. For most people in Asia, it meant a group of people who shared a common residence and who, in the past, ate from the common rice pot. We say "in the past," for today people are increasingly as likely to eat from a hamburger stand as a rice pot (Macleod and McGee 1989). This was certainly the definition that most census takers used, although it was complicated by varying applications of *de jure* and *de facto* residence, which Hugo (1978) analyzed so well for West Java.

The anthropologists, however, have always been unhappy with this limited use of the term. Yanagisako (1979) argues that most anthropologists, while employing the terms "family" and "household" loosely, agree that the main distinction between family and household is the contrast between kinship and the household as a collection of kin and sometimes non-kin who share a common residence. The contrast is between kinship and locality (which geographers would rather define as place). But as Yanagisako points out, there is still a difficulty with defining co-residence, for in some societies there is considerable mobility of individuals between households in the same locality.

In Viet Nam, the distinction between family and household seems somewhat clearer. First, it must be made clear that we are writing about the family and household as it occurs among the Kinh (or Viet) people who make up 87 percent of the population. We do not consider household change among the numerous minority communities who are largely located in mountainous areas, as they are subject to research by the rural development team.

Among the Kinh, it is argued that the Confucian heritage imposed on Viet Nam still has an important influence on family structure and relationships. As Tuong Lai (1991, p. 5) says:

In interpreting human relationships in society, Confucianism has focused on three communities, namely, *nha* (the household, the family), *nuoc* (the country), and *thien ha* (the world). Among these communities, *nha* occupied a special position in theoretical thinking as well as in Confucian morality.

Within the family, Confucian values like unity, stability, order and harmony, filial piety, and gratitude are important and there is considerable attention paid to the persistence of lineage through male progeny. This traditional definition has undergone some transformations as a consequence of the war of liberation, collectivization, and the increased mobility of the Vietnamese. Some Vietnamese researchers have argued that Confucian values really only operated as a strong system among the upper levels of society. In much of the rest of Viet Nam, the village acted as a major organization for most families in the form of

institutions such as communal land and communal labour (see Huou 1991, pp. 25–47).

There is a need to disentangle the various components of the Vietnamese family, household-village-state nexus, which has become very complicated during the *doi-moi* period, in order to focus our attention on the Vietnamese household as a unit for organizing economic activity. Traditionally, most Vietnamese households existed in a self-sufficient mode and economic activity focused upon the production of food and tools needed to sustain their livelihoods. The onset of the socialist revolution within the context of an ongoing war, the temporary division of the country into two systems, followed by reunification and finally the introduction of *doi-moi*, have created a complicated structural setting for the household.

But in general, it may be said that by 1990 the economic activities of households have become much more diverse. The household had become increasingly involved in a monetized economy, which involves the sale and purchase of goods and services. As a consequence, decisions about expenditure, saving, and deployment of labour for income become much more complex. The Vietnamese household is no longer simply a unit of production. It is these changes that are addressed in this section.

The definitional problem becomes even more complicated considering two relatively recent theoretical developments. These suggest the household should be viewed in a wider sense as a “resource system” made up of a group with its own internal economy, which is also linked to and serves the wider economic system. The use of the term “resource system” may seem strange since it has an “ecological” connotation, but it includes such household resources as property, income, tools, and human resources. The push to this broader concept of a resource system in which resources are deployed for income goals is often portrayed in terms of household strategies.

In particular, there is much debate over the nature of the household strategies deployed for income goals. Students of neoclassical household functions, such as Gary Becker (1976), assume that utility functions are exogenously given and occur randomly across time and space. In other words, he suggests household behaviour changes as a result of changes in prices and income. On the other hand, social scientists such as Geertz (1963), Scott (1976, 1985) and others, have argued for the “moral economy” of the household in the peasant society in terms of concepts such as “shared poverty,” or the unselfishness of household and family. This is assumed also in the work of economists such as Chayanov (1966). The real issue is not so much the distinction between the “moral economy” of the household and the household as a maximizer of utility, as it is the fact that the household is represented as a unit

whose behaviour is treated as collective. While this may be occurring in some circumstances, it is not always the case. For example, a vigorous stream of writing from a wide range of feminist writers has challenged this assumption. As Sharma (1986, p. 2) says: "For too long the household has been taken for granted as a group with real joint interests or status. Research on the internal power system of the household shows that women do not have access to resources on the same footing as men." Thus, they may receive a limited monetary income from husbands for household budgets. Their "work" is frequently not recorded in the data collection system of states. The failure to include the value of housewives' service in the measurement of the GNP, or the failure of census-takers to capture the contribution of women and children to agricultural production are important examples. Just as significant are the numerous studies that show unequal access to income and education among male and female members of the household (see Folbre 1986).

This issue of inequality is crucial to the thrust of another group of researchers who broadly fall within the "world systems" school of which Wallerstein (1984), Wood (1981, 1982), Smith et al. (1985), and Martin and Beittel (1987) are representative. Central to their position is the view of the household as one of the basic institutions of the capitalist world economy, of a theoretical status on the same plane as institutions such as "states" and "capitalist enterprises."

From their perspective, the household's critical position in the theoretical and historical process of capitalist accumulation is apparent. The world economy operates and grows through multiple hierarchical levels of centre-hinterland relations, with the global division of labour demarcating interdependent yet differentiated zones of economic activity. Integration of production processes is sustained by the existence of very different labour-force structures, as in the historical dispersion of areas of free (versus coerced) labour, and high- versus low-levels of remuneration of labour.

How these markedly different labour forces are created, sustained, and reproduced is, in our view, explicable only by the introduction of the concept of household. It is in this arena, and not in some pre-capitalist reserve, that the term finds its proper location (Martin and Beittel 1987, p. 218). We would argue that the household is of no less importance in the emerging socialist market economies, such as Viet Nam and China. The question of how the household functions in these two different regimes of accumulation is of central importance in this study.

In this sense, the household is defined as "a unit that ensures the continued reproduction of labour through organizing the pooling of income in order to expend it on consumables and investments" (Wallerstein 1984, p. 438). Wood (1981, p. 339) puts this more succinctly:

For our purposes, the household can be defined as a group that ensures its maintenance and reproduction by generating the disposing of a collective income fund. As such, the household is differentiated from, but not exclusive of, the family, co-resident dwelling groups, and kinship structures.

The adoption of the concept of the household as a resource system or income-pooling system relates to the definition of household income, which, paraphrasing Wood, we proffer as follows:

Household income refers to the monetary and non-monetary recompense derived from the productive activities of members of the unit or from other sources such as rent, transfer payments, subsidies, help, or gifts.

Wallerstein et al. (1982) would argue, however, that the form in which this income enters the household system is of importance to the household. Thus, the particular mix of wages, subsistence income, income from the sale of commodities, rent, and transfer payments significantly influence the role that the income-pooling household plays in the world economy. As Wallerstein et al. (1982, 438) say:

... we are arguing that there are systematic pressures (from employers, state authorities, and other institutions) to create specific kinds of "income pooling" households in order to maximize the availability on the one hand of a low-cost labour force, and on the other hand of continuing, relatively high short-run demand for commodities (goods).

An important issue in any study of the household is the unequal access to income of women and children.

The concept of "income pooling" is useful in other ways. First, it assumes no residential propinquity. People who pool income live in different places; these places might be as far away as London or as close as the next village. Second, it accepts non-consensual strategies within the income-pooling process. This process of income pooling may accentuate differential gender or generational access to income within the household.

Changing economic activities of the household

The following assertions, which have relevance to our study, can be made about the changing features of household income.

1. Sources of household income

There are a variety of sources:

1. The contribution of wages or salary as a proportion of the income of households is increasing. A great deal of information from a variety of Southeast Asian contexts supports this assertion. This applies equally to urban and rural areas, although the proportion of wage or salary income in the two situations will be different. For instance, a number of authors have discussed the growing importance of off-farm income in rural Asia. These generally indicate a close relationship between the growth of off-farm income and economic development. For example, Ho (1985) reports that off-farm income as a proportion of total farm income in Japan increased from 12.2 percent in 1921 to 70.8 percent in 1980. In Taiwan, it increased from 31.4 percent in 1952 to 78.2 percent in 1980, and to 84 percent in 1985 (see also Oshima 1985, and Shand 1986). In some urban areas the contribution of subsistence production to incomes has been estimated as high as 20 percent. Thus; the issue of the rural-urban differentiation and its relationship to farm and non-farm income is complex (Evers 1981; McGee et al. 1991).
2. The term "petty commodity income," refers to self-employment activities such as trading and transport, and petty capitalist activities generally associated with the so-called "informal sector." This issue is important and it has been written about frequently in the context of population growth, urbanization, and changing labour markets in Asia, which are discussed later in this section (see Armstrong and McGee 1985).

The contribution of petty commodity income in household income is remarkably variable from location to location within the Asian context. It appears, for instance, to have increased in rural Java and declined in Singapore. It undoubtedly has increased in urban Viet Nam.

3. Transfers form an important part of the household income pool. It is difficult to estimate the importance of transfers, rent subsidies, help or gifts in estimating such income, for there have been few attempts to gather information systematically on these aspects in surveys. There is substantial but uneven information on all these factors, but they often form part of "underground income," which is rarely estimated. This component of household income has always been important and it may be increasing in

importance as a component of household income with increasing labour mobility. (There is clearly an overlap between this category and point 1).

The increase of wage-earning opportunities, particularly but not exclusively in urban areas, is the underlying process which fuels many of these transfers. But they also occur in the petty commodity sector (see Hugo 1978; McGee 1973). There have been few attempts to systematically study the phenomenon of transfer categories in their totality; this research endeavors to look at this issue.

2. Household economic strategies

The central issue here relates to how the household, defined as an income-pooling group, adopts economic strategies to increase the size of household income. More broadly expressed, how does the household draw on, and allocate, a common pool of resources? Clearly, the resource levels of households reflect such variables as the demographic composition, phase of the life cycle, and household income level — all are significant, intervening variables in any research on strategies. Allowing for these variables, there has been a tendency to suggest that households follow two types of economic strategies.

In one situation, poorer households in both rural and urban areas are concerned with generating sufficient income to survive. They have a problem satisfying immediate consumption needs and often operate on a day-to-day basis. Effective strategizing for survival is particularly difficult when household composition and labour market opportunities are continually evolving — both in spatial and structural terms.

On the other hand, there are households that follow accumulation strategies — that is, they are able to satisfy or forego immediate consumption needs in order to accumulate income to invest in the future. This investment may be in the form of education, purchase of land, or other variables. Dividing household economic strategies in such a bipolar manner creates a risk of oversimplifying household strategies. It is also suggested here that households adopt consensual strategies; but clearly, this is not always the case. For example, the decision of a son in Household A to move to town and earn income may be caused by tensions at home. At some point, he may well be prompted by remorse to send income home. Both are individual decisions leading to the operation of income pooling.

There are also thought to be significant gender differences affecting income pooling, an issue which is explored further in this study. Another issue in the area of household economic strategies that requires more research is the role of cultural values, such as family obligations, in affecting transfers. This also is discussed in this study.

Finally, a review is undertaken of the role that the income pooling household is playing in the economic development process as the economic base changes from production to consumption. Although one does not have to agree with Wallerstein's view of the growth of world capitalism as manipulative, it does seem true that income pooling permits an expansion of consumption of the market products which are necessary to increase internal accumulation. In the mixed economy of Viet Nam, there seems to be growing pressure upon households to increase consumption. This study contains data collected to test these hypotheses.

3. Spatial mobility and the household economy

One thing is certain: it is increasingly unusual that the residential household is the only source of income. As a consequence, the movement of individuals from units of co-residence to take up income-earning opportunities elsewhere is ubiquitous. This movement may take the form of commuting, circulatory migration, or residential relocation, but the increase of spatial mobility is the important feature. This has become much more common and has created a new economic condition for the household. Spatial mobility within families is increasingly being recognized by researchers and is characterized by terms such as "dispersed household networks" (Trager 1984) or "bilocal families" (Chiang 1987).

The main processes bringing about economic changes in the household

There are four processes that are facilitating the growth of income pooling and dispersed household networks in most developing countries today:

1. Structural processes of economic change, and occupational shifts are very important and are occurring within all the regions enumerated above. This may be described as the opening up of the economy through industrialization, agricultural growth, and development.
2. The changing spatial patterns of settlement are blurring the urban-rural distinction in Asia. Conventionally, this process is viewed as part of the urban transition, which characteristically follows an S-shaped curve through time and involves a shift in the proportion of the nation's population living in urban centres — from approximately 20 percent to, in some cases, more than 80 percent. But in certain parts of Asia, of which Viet Nam is an example, (particularly those regions characterized by large, densely-populated regions), the urban transition is not being repeated. Instead, a new spatial configuration is emerging characterized by four dimensions:

- a) The ongoing growth of city population within metropolitan boundaries, most often labeled as urbanization.
 - b) The spreading of city conurbations in the surrounding countryside of distances up to 30 kilometres. This sprawl involves suburbanization, industrial decentralization, and other economic activities, and often engulfs rural villages, which become suburbs in rural shells.
 - c) The emergence of regions outside this urban periphery in which rapid growth of non-agricultural activity in conjunction with increasingly specialized agricultural production of cash crops. These regions often follow transportation corridors between urban cores. In Viet Nam, the corridor between Hanoi and Haiphong would be an example. Another example would be the growth of cash cropping for coffee, fruit, tea and vegetables in the Central Plateau region of Viet Nam.
 - d) The persistence of some areas, such as Java, as largely rural regions in which forms of involution and multi-sources of household income prevail.
3. The collapse of time-space in the Southeast Asian countries. Improvements in transportation technology are crucial to the emergence of this spatial pattern and the viability of the "dispersed household networks." The relative reduction in cost of travel is also important.
 4. The thickening of information and communication networks through mass education, television, and the use of telephones is crucial to the strength of the dispersed household networks.

All these processes permit people, information, commodities, and money to flow more speedily within a spatial setting. Thus, spatial mobility, flexibility, and fluidity are processes that affect the characteristics of the household. The fabric of space and time has loosened such that the household accommodates and adapts to the changing conditions. At the micro-level, the operation of these processes is mediated by the cultural factors that either hinder or speed up the process of time-space collapse.

Chapter 11.

Embedding the Vietnamese household in processes of economic change

Economic policy changes

In simple terms, the changing experience of Viet Nam can be analyzed through a model of the restructuring of the economy. In the past, the state determined the direction of all important activities and collectivized enterprises were responsible for most of the production of the economy. In such an economic system, "the market mechanism operated only in small businesses and the household economy; that is to say in a part of the agricultural, handicrafts, and consumer goods retail trading sectors" (Vu Tuan Anh 1994, p. 16). In this system, household production that was used for subsistence was considered part of a "pre-capitalist mode of production" (Do Thai Dong 1995, p. 54). It has been suggested that during the collective era of the 1960s in the north, families produced income through household plots which contributed 40 to 60 percent of all production (Dao The Tuan 1995). In the south, efforts to collectivize agriculture after 1976 were only partially successful. Thus, there was never a complete move from household to collective agriculture.

The consequences of the changes that have been introduced since the 1980s have led to the recognition of a multisectoral economy consisting of three major sectors.

The state sector based on public or national ownership; a collective sector based on the voluntary contribution of capital of a group of people to set up joint enterprises and using the labour force of the collective members and their relatives, and a private sector including various forms of economy like the family or household economy, individual economy and private capitalist economy. The last form involves hiring a certain number of employees while the first two are based only on own labour. (Vu Tuan Anh 1994, pp. 26-27)

With the freeing of the rigid centralized planning system, economic activities have developed rapidly and in the period 1991-95, the GDP increased at an average rate of 8.2 percent per year. This has been accompanied by significant structural changes in which the proportional contribution of agriculture to GDP was reduced from 41 percent in 1987 to 29 percent in 1995; the service sector increased from 33 percent in 1987 to 42 percent in 1995, and industry increased from 26 percent in 1987 to 29 percent in 1995.

These structural changes have also been accompanied by a vigorous switch from import-substitution to export orientation, the revision of prices to reflect supply and demand, and the cutting-back on inflation. Contract 10, introduced in 1988, gave peasants almost total control over production links. It freed-up prices of grains and inputs, privatized the distribution of inputs, provided longer term land-use rights (10–15 years), decreased land tax, provided more freedom of crop choice, and eliminated the work-point system (Vo Tong Xuan 1995). In addition, public expenditures on social overhead capital have been reduced. Foreign investment has increased rapidly, reaching the culminative figure of US \$18 billion by 1996. It would hardly be surprising if these rapid changes did not have an important effect on the national labour market.

Thus, between 1990 and 1993, employment in agriculture increased by 2.4 million while the proportion of the labour force remained static at 72 percent; employment in industry increased by only 129 000; and services grew by 257 000. While there are reasons to believe the numbers in the service sector may be underestimated (because of part-time employment and informal sector activity), the data suggest that the major sector of labour absorption in Viet Nam still lies in the agricultural sector — despite the growing employment in the service sector of urban areas. The majority of the agriculture sector — six out of seven million hectares of agricultural land (Dao The Tuan 1995) — is now organized on the basis of household agricultural production, although various types of cooperative arrangements may still exist for inputs and marketing. The rural households of Viet Nam are engaged in the doubly difficult task of increasing production and absorbing more labour.

Primary household characteristics

The Viet Nam Living Standards Survey included 4 800 households and was jointly conducted by the State Planning Committee and the General Statistical Office in 1992–1993 on a country-wide scale. According to the survey, the average household size in Viet Nam is 4.97 persons, in urban areas 4.94 persons, and in rural areas 4.97 persons (see Table 1).

Over 60 percent of households have five persons or less, while 10 percent of households are made up of eight persons or more. Two-generation households are prevalent among the country's population. Almost all are composed of family members.

Poor households have more people than average households. The number of members diminishes as household income increases, in both urban centres and rural areas. The average number of people in the poorest household (Level 1), is 5.36 persons. This number diminishes from Level 2 to 4, and there are only 4.46 persons in the wealthiest households (Level 5). The number of people aged from 0–14 make

Table 1. Average household size by regions and expenditure category (person per household).

	Total	Level 1	Level 2	Level 3	Level 4	Level 5
Whole country	4.97	5.36	5.11	5.10	4.89	4.46
Rural	4.97	5.34	5.10	5.07	4.77	4.30
Urban	4.94	5.79	5.24	5.36	5.32	4.62
Regions						
1. North Mountain and Midland	5.05	5.57	5.41	5.10	4.19	4.07
2. Red River Delta	4.19	4.52	4.40	4.08	4.29	3.56
3. North Central Coast	4.76	5.24	4.67	4.84	4.31	3.66
4. South Central Coast	5.21	6.00	5.51	5.39	5.13	4.54
5. Central Highlands	5.93	6.48	5.88	6.71	5.00	5.50
6. Northeast South	5.52	6.00	5.40	6.31	5.72	5.19
7. Mekong River Delta	5.38	6.28	5.86	5.87	5.46	4.48

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi, 1994, p. 35.

Notes:

According to the classification used in official statistics and in socioeconomic planning, Viet Nam divided into seven geographical regions:

1. North Mountain and Midland (13 provinces)
2. Red River Delta (7 provinces)
3. North Central Coast (6 provinces)
4. South Central Coast (7 provinces)
5. Central Highlands (4 provinces)
6. Northeast South (5 provinces)
7. Mekong River Delta (11 provinces)

The households surveyed are classified into 5 levels, each with a range of expenditure per capita in 1993 as follows.

- + Level 1: from 99 690 to 651 280 VND
- + Level 2: from 651 320 to 867 170 VND
- + Level 3: from 867 600 to 1 125 020 VND
- + Level 4: from 1 125 200 to 1 625 910 VND
- + Level 5: from 1 626 010 to 14 002 250 VND

up an average of 38.0 percent of the population. In Level 1, this ratio is 47.2 percent, while in Level 5 it is only 27.9 percent.

According to our investigation, the households with a woman acting as head make up about one-third of the total.

Eighty percent of households live in rural areas, 20 percent in urban centres. There are differences in the distribution of households between regions. The households in southern regions are larger than those in northern regions. This is due

Table 2. Household distribution by regions (%).

Region	Percent of households
1. North Mountain and Midland	15.0
2. Red River Delta	24.0
3. North Central Coast	13.0
4. South Central Coast	11.0
5. Central Highlands	3.0
6. Northeast South	11.0
7. Mekong River Delta	23.0
Total	100.0

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi, 1994, p. 34.

first and foremost to the family planning program, which has been implemented for a longer period and more effectively in the North. The plains and coastal areas are densely populated; the mountain regions are rather sparsely populated although a rapid population growth has been recorded in the past decades (see Table 2).

The household as a resource system

Almost all the rural households (over nine million) carry out various economic activities within their sphere. By way of comparison, urban households which generate income within the household are less numerous. Our survey (Tran 1995) covering a representative sample in Hanoi conducted in 1993 showed that these income-generating households accounted for about 30 percent of the households surveyed. Remaining households generate income through employment for wages in the government or private sector. Based on the results of this survey, there are about 70 000 independent household economic units in urban centres throughout the country.

As an economic unit, the household has a strong objective: to maximize its income earnings by making the fullest use of its resources. Each household may possess different resources, but the main ones consist of land, labour, and capital. A census of 11.9 million households in agricultural production and rural areas shows the following panoramic view of the resources owned by the average countryside household (see Table 3).

a. Land ownership and land use

Land constitutes the main means of production of a peasant household. In former times, land was collectively farmed within the framework of agricultural cooperatives or agricultural production collectives. Since the late 1980s, this means of production has been handed to the households for management and use according to resolution No. 10 of the Party Politburo (1988). Peasant households have more power and responsibility for the land entrusted to their management. This is clearly defined in the land law adopted by the Ninth National Assembly of the Socialist Republic of Viet Nam on 14 July 1993. According to this law, land is the property of the entire people and placed under the unified management of the state, which hands it over to peasant households for stable and long-term use. The scheduled period of time for land used for tree-planting and aquaculture is 20 years; for planting perennials, 50 years. When the fixed time-limit is reached, users who need to use land for plantation purposes will be entitled by state permission to continue using the land entrusted to their management for a further period of time. In order to create favourable conditions for peasant households to properly manage the allotted lands, the users are given

Table 3. Main resources of households in rural areas (average per household).

	Type of household ⁽¹⁾								
	Total	Farm.	Forest	Fish.	Indust.	Const.	Trade	Service	Other
HUMAN RESOURCES (person)									
Number of persons	4.8	4.8	5.2	5.5	4.8	4.9	4.7	4.6	4.3
Number of persons aged 16 to 60	2.5	2.5	2.8	2.8	2.7	2.8	2.7	2.6	2.4
Of which: Workable	2.3	2.3	2.4	2.6	2.5	2.5	2.4	2.4	2.1
LAND (m²)									
Total land	5 380	6 251	29 560	5 563	1 637	1 184	1 139	1 100	1 455
Of which:									
• Agricultural land	4 143	4 985	4 415	477	1 039	773	779	743	900
• Housing & garden	377	410	427	219	295	239	204	213	261
• Forest land	498	550	20 423	419	103	116	67	69	135
• Aquacultural land	136	60	1 190	4 138	61	8	21	18	43
• Waste land	226	246	3 105	310	139	48	68	57	116
ANIMALS (head)									
Buffalo and cattle	0.5	0.6	0.54	0.06	0.10	0.08	0.06	0.08	0.12
Pig	1.25	1.40	1.02	0.49	0.91	0.59	0.74	0.72	0.69
Poultry	10.2	11.6	7.92	2.46	4.51	3.21	3.06	3.55	5.47
MACHINERY AND EQUIPMENT									
Tractor capacity (CV)	0.175	0.170	0.145	0.069	0.625	0.371	0.225	0.738	0.105
Water pump	0.05	0.05	0.02	0.01	0.07	0.06	0.06	0.05	0.03
Motor boats	0.014	0.008	0.021	0.276	0.018	0.004	0.028	0.044	0.006
DURABLE CONSUMPTION GOODS (piece)									
Radio	0.37	0.37	0.34	0.37	0.45	0.44	0.51	0.49	0.33
Television	0.21	0.19	0.17	0.17	0.34	0.32	0.45	0.44	0.25
Motorcycle	0.09	0.06	0.08	0.05	0.22	0.24	0.37	0.35	0.15

Source: General Statistical Office. "Statistical data on basic situation and infrastructure of rural region in Vietnam (Preliminary Results of The First Agricultural and Rural Census)," Hanoi, 1995.

⁽¹⁾ Defined on the basis of principal occupation of head of the household.

state certificates for land rights. The households with state land have the right to rent, transfer, or mortgage the land for financial purposes.

Under the influence of the changes brought about by state policy, the land used by farmers so far has become much more diversified in terms of ownership and use. Based on legal grounds and the forms of handing land to peasant households, land may be classified into the following six categories.

1. Land handed under contract (allocated land) is the land managed by the agricultural cooperative which contracts to peasant households for use according to resolution 10 of the Party Politburo. The period of use of the land handed under contract depends upon the concrete form of land allocation in each locality, but it usually lasts from three to five years. The handing of land under contract took place primarily during the 1980s. In

recent times, nearly all such land has been given to peasant households for official long-term use according to the land law.

There are still a number of peasant households that have not been officially allocated land for cultivation, and they continue to use land allocated to them on a temporary basis. As of 1995, 20 percent of peasant households were using temporarily allocated land. The land that has not yet been allocated to peasant households comprises about 30 percent of the total agricultural acreage under cultivation.

2. Land allocated for long-term use is that which was handed over by the local administration to peasant households according to the land law. By 1995, according to reports sent in by 44 out of 45 provinces and cities throughout the country, as much as 80 percent of peasant households had been allocated land for a stable, long-term period. The acreage of allocated land accounted for 70 percent of the total agricultural land. The areas with the highest percentages of allocated lands are: the Red River Delta (82.8 percent), the Mekong River Delta (80.1 percent), and the midland region of North Viet Nam (77.4 percent) (Ministry of Agriculture and Foodstuffs Industry, March 1995).
3. Auctioned land is the land formerly placed under collective management—agricultural cooperative in former times, and now the village administration. It is handed to the peasant households for use following a successful formal bid for the contract to rent it. The period of time for using such land may differ in duration, but it is usually for a short-term only—from one crop to three years. The land that is put out to tender for cultivation is usually exhausted soil, wasteland, pond, lake, or land belonging to the communal property. This land fund accounts for about 5-25 percent of the total agricultural land of the locality. Bidding for a contract to use land is primarily undertaken by peasant households in the northern part of Viet Nam.
4. Rented land is the area of land that the peasant household rents from any individual, household, or collective for a fixed duration, agreed-upon by both parties. Rented land is usually on acreage allocated for long-term use; the land lease may last from several years to decades.
5. Private land is land that was inherited by the peasant from his predecessor before the collectivization of land. After a number of years of changes in the form of ownership, the majority of this category of land finally has returned to its first owner. In many regions—such as the provinces of South Viet Nam and the central highlands—the peasant households entered into negotiations in order to secure an official recognition of their

former lands and to obtain a due certificate for land use right from the local administration vis-à-vis the totality or part of their former private land.

6. Other lands are those temporarily cultivated by peasant households. These are hilly, forested waste-lands that have not been legally allocated to any person. This category is usually found in the mountain and the midland regions.

Viet Nam's various regions have clear differences in the land systems of the peasant households. The data provided by the Survey of Living Standards conducted in 1993 (State Planning Committee and General Statistical Office 1994) gave a rather diversified picture of land origins in different regions. For example, the land allocated under contract in the Red River Delta and the northern part of Central Viet Nam makes up over 50 percent of the total agricultural and forestry land of the households. On the other hand, the rice fields allocated under contract in eastern South Viet Nam account for only 1.67 percent and in the Mekong River Delta, 0.77 percent. Conversely, the land allocated for long-term use accounts for about 10 percent of the total agricultural and forestry acreage of the peasant households in the Red River Delta and in the northern part of Central Viet Nam; whereas in the Mekong River Delta and Eastern South Viet Nam it makes up about 50 percent (see Table 4).

Table 4. Agricultural and forestry land of household by form of use and region (%).

Form of use	1	2	3	4	5	6	7
Allocated land	35.51	64.03	55.30	28.02	22.12	1.67	0.77
Auctioned land	2.87	8.94	5.37	1.06	0.00	0.00	0.00
Rented land	4.08	2.10	1.20	1.66	16.59	6.76	7.10
Long-term-use land	6.27	7.48	10.07	8.78	3.28	45.21	56.81
Private land	19.95	14.81	12.34	20.69	27.31	29.93	32.72
Other land	31.32	2.64	15.73	39.79	30.70	16.43	2.60

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi, 1994, p. 150.

⁽¹⁾ See Table 2 for definition of region.

b. Manpower resources

According to the Viet Nam Living Standards Survey (State Planning Committee and General Statistical Office 1994), the number of economically active people is 81.71 percent of the total population aged over 13 years. The per-household average number of people in the labour-participation age is 2.78 persons. In rural areas, the percentage of the economically active population is higher than in urban areas. The male population takes part in defined economic activities more than females (see Table 5).

Table 5. Economically active population (percent).

	Total	Rural		Urban	
		Male	Female	Male	Female
Economically active	81.71	86.19	82.59	74.41	70.92
Not economically active	18.29	13.81	17.41	25.59	29.08
Total	100	100	100	100	100

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi, 1994, p. 122.

On average, it is calculated that each household has 2.4 labourers. Each labourer works to feed 2.1–2.2 persons, that is to say to feed himself and one dependent. In reality, in Viet Nam, especially in rural areas, children and old folk also participate in labour depending upon their strength and capacity. For that reason, the people really participating in economic activities are more numerous than the statistical data on the working-age people and main labourers in each household.

One of the remarks drawn from the examination of the actual economic activities — especially after putting them in a comparative analysis with the collective economy — is that the labourers in the countryside are now much more common. On the other hand, unemployment and lack of jobs are considered to be a serious problem in rural areas.

The employment situation of the economically active population was “photographed” through the recognition of the employment status in past seven days before the survey date (see Table 6). The unemployment rate was found to be 7.37 percent. In rural areas, it was lower than in urban areas (6.4 percent compared with 9.4 percent).

Table 6. Employment status of economically active population.

Economically active % of population	Rural	Urban	Male	Female	Total
Employed	93.13	90.56	93.54	91.79	92.63
Unemployed	6.87	9.44	6.46	8.21	7.37

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi 1994, p. 125.

It seems that this unemployment ratio was not high in the context of a less-developed country. However, one other indicator — the number of working hours per day — showed that the real unemployment is more serious. Based on the data of the Viet Nam Living Standards Survey on the number of working hours in one year, and assuming that the average number of working days in a year is 290 days, we could calculate the average working hours per day of the economically active population as follows (see Table 7).

The data showed the real situation — that underemployment in rural areas was higher than in urban. This situation could be explained because, in rural areas, job shortages are more serious due to a high population density, limited

land for cultivation, and lack of other employment opportunities. Therefore, farmers cannot fully use their labour capacities.

Table 7. Average number of working hours of economically active population.

	In 12 months			In one working day		
	Total	Male	Female	Total	Male	Female
Total	1 677.5	1 709.7	1 647.8	5.78	5.89	5.68
Rural	1 597.4	1 646.6	1 552.0	5.51	5.68	5.35
Urban	2 025.7	1 988.2	2 059.4	6.99	6.86	7.10

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi. 1994, p. 133.

The household as a labour division unit

Several classifications are needed in order to describe the very diverse number of household activities. The method which is generally used has labourers in different households arranged into three blocks of main occupations, as follows:

1. Work that constitutes self-sufficiency, such as agriculture and husbandry.

This comprises the following:

- production: agriculture, gardening, animal husbandry;
 - enlarged economic activities: collecting firewood, carrying water, hunting game, gathering fruit, housing construction, making family utensils, food processing, etc. Calling these kinds of occupations "enlarged economic activities" means that they have some economic value. In other words, if not self-provided, the households might have to pay for such services to be rendered to them; and
 - household chores.
2. Activities that are linked with the market, such as trading, farm goods production home craft involvement, or working for hire. This includes:
 - business activities;
 - processing and making farm produce, and manufacturing consumer goods;
 - handicraft production;
 - transport services; and
 - working for hire.
 3. Working as labourers somewhere far away from home (in another locality). Doing jobs far away from home consists of working for hire in another locality for a short- or long-term period. This involves a labourer doing a job that does not allow him to return home daily, including: building houses; transporting goods and other materials; exploiting forest and mineral resources; doing business; working in a restaurant, hotel, or trading establishment; or working as helpers in private homes.

One of the characteristics of current labour distribution is the tendency to combine several types of occupations. In the mid-1980s, it was quite rare to see households with members engaged in market-related activities. It was equally unusual to find households with members working for hire at places far away from home — except for those who were enlisted in the army or employed by the state. The household labourers would concentrate nearly all of their efforts on production for self-sufficiency. But by the mid-1990s, households with members operating in two or three types of occupations were frequently seen in rural areas.

It is observed that the households living in the plains, on the outskirts of cities and towns, and in densely-populated areas have more developed market-related activities compared with those in the mountain and remote regions. The households in the mountain and remote regions are more inclined to practice agriculture, and it would be rare to see them engaged in other occupations.

The practice of engaging in several occupations at the same time is not only seen within households, but also by individual members of the family. Peasant women or men may do many different job types that fall under two or three blocks of occupational categories, at different times of the year or at the same time in certain periods of the year. The usual pattern is to combine different seasonal occupations. All the household labourers are usually mobilized for the period of intensive fieldwork, such as transplanting and harvesting. After the seasonal labour-intensive work, the members of the household may return to their own jobs.

The people who assume two jobs at the same time make up 32 percent of the total of the employed rural work force. This is about one half the percentage of rural people doing only one job, such as those employed in agriculture who account for 55 percent of the rural total. The people who do two jobs at the same time are less numerous. The emergence of those engaged in three occupations at the same time (who make up 3 percent of the total of the employed work force) show the tendency of each individual to make the fullest use of their time by diversification of occupations (see Table 8).

Table 8. Distribution of rural and urban employed populations by type of activity (%).

Type of activity	Rural	Urban	Total
1 Wage earner	4.23	32.73	9.55
2 Farm self-employment	55.10	12.34	47.11
3 Non-farm self-employment	4.95	36.10	10.77
4 Farm self-employment and wage earner	16.27	6.27	14.40
5 Non-farm self-employment and wage earner	0.95	3.81	1.48
6 Farm self-employment and non-farm self-employment	15.27	7.18	13.76
7 All three type of activities	3.23	1.59	2.92
Total	100	100	100

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. 1994, p. 131.

It should be commented that women are more likely to engage in occupations near their home and are more inclined to produce for self-sufficiency. Men engage more frequently in market-related occupations. Similarly, people at a mature age usually choose occupations that can be practiced near their home, while younger people are willing to work for hire.

The data provided by the Viet Nam Living Standards Survey shows that the mobility of female labour is lower than that of male labour. The percentage of males in the total population moving for economic reasons is 53.15 percent, while that of females is 46.85 percent (Viet Nam Living Standards Survey 1994, p. 276).

The highest rate of males and females moving from one place to another falls in the 20–29 year category. Over 8 percent of the people in this age group have transferred from one place to another, while the average level for all the age groups was 4.45 percent (Viet Nam Living Standards Survey 1994, p. 43). Compared with females, males find themselves more ready to work in any place, no matter how far away from their homes.

A survey conducted by the Institute of Sociology in Tam Son village in 1990 showed that 60.21 percent of the males went to work for hire and engaged in 11 different forms of occupations. Only 40.38 percent of the females worked for hire, and they engaged in 7 different forms of occupations (Vu Manh Loi 1990). Naturally, the work for hire of peasant females and males differs from one region to another.

It is also observed that there are differences between male and female involvements in market-related activities. Women usually engage in the occupations of farm produce processing, knitting, textile weaving, and petty trading. Men produce saplings, breeder animals, building materials, and assume the transport of goods.

The occupational division between men and women is related to their respective functions in reproduction. Women's occupations require patience, meticulousness, and flexibility so that women can do their work at home and combine it with child care and other household tasks.

The division of labour between husband and wife in the family depends upon concrete conditions and circumstances — there is no optimum pattern. A family can bring into play all its potentialities when every member is able to develop to his or her fullest extent. This requires the enjoyment by women of equal rights with men in all respects, and results in the raising of the profitability and effectiveness of the household economy.

If the household economy constitutes an important micro-economic unit of the national economy, the development of each family member is not simply a personal family affair; it becomes a common concern for the whole society. The state must give support to the household economy through services related to the

upbringing and education of children, health care, household chores, and information supply. Viewed from the angle of social spending, these services, when nationally organized, will be much less costly for the family than if the latter has to do them separately. At the same time, national services create conditions for the members of the family, particularly women, to seize the opportunity for doing business in a profitable manner.

In each family, the work force still encompasses both adults and children under the working age. Child labour exists in many areas of work, ranging from work in the home to agricultural production and non-farm activities. However, children engaged in farm activities is by far the largest category of child labour (see Table 9).

Overall, the use of labour shows the following patterns:

1. There is an increasing tendency for an individual to do more than one job. Diversification of occupations is the main strategy for raising incomes or reducing spending for the household economy.
2. Female labourers are usually engaged in low-paid occupations, sometimes requiring overtime and intensive work that is non-remunerated or low-paid. They frequently are unable to find wage jobs (especially jobs with high pay and good working conditions).
3. With regard to rural households, remunerative employment opportunities for both men and women are still scarce. Labourers eagerly seek any occupation that may bring them any additional income. The use of child labour for covering the deficit in the family budget is commonplace in poor families and in families without work.

Table 9. Children aged 6 to 12 working, by type of activity.

Type of activity	%
1 Wage earner	2.59
2 Farm self-employment	84.27
3 Non-farm self-employment	8.51
4 Farm self-employment and wage earner	1.19
5 Non-farm self-employment and wage earner	0.11
6 Farm self-employment and non-farm self-employment	3.23
7 All three type of activities	0.11
Total	100.0

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi, 1994, p. 132.

Note: This table was based on a survey of 928 working children.

Household economic strategies: marketization versus subsistence orientation

There are different forms of household economic activity. In order to study changes in the household economic activities, particularly in the developing countries where most people are still farming, researchers usually divide the activities into certain groups. The major grouping is sectoral which distinguishes between farm and various non-farm activities (see Table 10).

The above data show that nearly 80 percent of the households surveyed are those whose main occupation is agriculture. The households mainly engaged in forestry and fishing make up a low percentage — a little more than 2 percent — although the potential for development of these occupations is quite abundant. Similarly, the proportion of non-primary production households is still very low, although it is common knowledge that the incomes earned from non-primary occupations are much higher than those derived from agriculture. This state of affairs may be explained by the prevalence of the self-sufficient economy.

Table 10. Structure of households by major occupations.

Number of households classified by major occupation	Whole country	Regions						
		1	2	3	4	5	6	7
Total number of households	11 974 515	2 067 154	2 802 205	1 827 075	1 277 917	503 954	985 574	2 510 636
Farming	9 528 896	1 885 317	2 553 524	1 519 422	950 439	386 925	477 263	1 756 006
Forestry	18 156	3 147	485	2 538	2 855	924	2 483	5 724
Fishery	229 909	5 943	8 032	64 647	76 994	341	17 023	56 929
Industry & handicraft	160 370	7 834	53 789	24 894	17 746	3 491	27 426	25 190
Construction	31 914	899	2 505	4 334	5 565	1 113	13 775	3 723
Commerce	384 272	19 565	29 549	37 016	55 570	16 690	100 908	124 974
Services	141 657	11 112	20 559	15 488	19 710	6 277	32 315	36 196
Other	1 479 341	133 337	133 762	158 736	149 038	88 193	31 4381	501 894
Percentage of households								
Total	100	100	100	100	100	100	100	100
Farming	79.58	91.20	91.13	83.16	74.37	76.78	48.42	69.94
Forestry	0.15	0.15	0.02	0.14	0.22	0.18	0.25	0.23
Fishery	1.92	0.29	0.29	3.54	6.02	0.07	1.73	2.27
Industry & handicraft	1.34	0.38	1.92	1.36	1.39	0.69	2.78	1.00
Construction	0.27	0.04	0.09	0.24	0.44	0.22	1.40	0.15
Commerce	3.21	0.95	1.05	2.03	4.35	3.31	10.24	4.98
Services	1.18	0.54	0.73	0.85	1.54	1.25	3.28	1.44
Other	12.35	6.45	4.77	8.69	11.66	17.50	31.90	19.99

Source: General Statistical Office. 1995. Statistical data on basic situation and infrastructure of rural region in Viet Nam (Preliminary results of The First Agricultural and Rural Census), Hanoi, 1995.

Before practicing any other occupation to supplement its income, the peasant household would first and foremost have to ensure the production of food for itself. Moreover, poor rural households, who usually lack practical knowledge for doing business, are not able to shift easily to other occupations.

If the subsistence population is defined as the population that lives off the land and does not farm for wealth (money), but for survival, in practice it is difficult to define exactly how many households are based on subsistence. It appears that almost all are taking part, to some extent, in market-trading activities and selling their products. According to the Viet Nam Living Standards Survey, more than two-thirds of rural households participate in sales of their production output. In the Mekong River Delta, this share reached 94.9 percent (see Table 11) for the all crops category.

Table 11. Rural household share in sales of crop output
(percentage of households with cultivation).

Region	Rice	Other food	Annual industrial	Perennial industrial	Fruit	Forest trees	Crop by-product	All crops
North Mountain and Midland	32.5	57.2	66.8	22.3	57.4	33.9	7.8	87.3
Red River Delta	60.1	45.8	70.7	37.7	67.5	37.8	6.7	85.2
North Central Coast	40.9	53.8	77.5	47.3	77.6	42.3	21.5	88.6
South Central Coast	33.0	40.6	61.9	47.1	67.1	67.3	16.4	80.9
Central Highlands	13.6	65.3	75.5	97.2	43.5	37.5	17.0	91.9
Northeast South	58.2	53.4	94.7	60.7	47.2	81.8	24.3	84.5
Mekong River Delta	75.8	51.0	88.9	47.7	58.3	42.7	23.9	94.9
Total country	50.4	51.1	72.6	46.8	62.6	46.4	14.3	87.7

Source: Calculations based on Viet Nam Living Standards Survey, 1993.

However, relatively small fractions of total crop output are sold. Typically, these are crops with high value (see Table 12). Rice-cultivating households are still primarily oriented to subsistence. Rice-cultivating households are the only group for which the share of household income from sales of crops is lower than its share of total value of household crop output. The impact of rice on sales income is markedly stronger in the two main deltas, the Red River Delta and the Mekong River Delta, than in other areas of Viet Nam.

Table 12. Household crop sales, by crop (percentage of total crop sale value).

Region	Rice	Other food	Annual industrial	Perennial industrial	Fruit	Forest trees	Crop by-product	Total
North Mountain and Midland	21.9	32.5	24.6	2.2	13.0	3.7	2.0	100
Red River Delta	53.6	17.3	9.5	0.7	15.5	1.2	2.2	100
North Central Coast	29.5	20.0	23.6	3.3	16.3	1.3	6.0	100
South Central Coast	27.4	15.1	18.2	7.5	19.8	4.3	7.6	100
Central Highlands	5.1	22.6	19.4	47.9	4.4	0.2	0.4	100
Northeast South	31.1	8.5	11.2	16.2	10.6	18.6	3.7	100
Mekong River Delta	54.0	10.4	7.8	8.5	13.3	3.4	2.7	100
Total country	38.3	18.5	15.4	6.4	14.3	3.6	3.4	100

Source: Calculations based on Viet Nam Living Standards Survey, 1993.

Rice remains the single most important crop for household incomes on a country level, even if its share of sale value is markedly less than its share of output value. In some regions, however, several crops are on an equal footing with rice when measuring importance for cash incomes, despite their weights in total crop output-value being very low. For instance, in the four northern regions, the percentage of cash income accounted for by sales of annual industrial crops is approximately three times their percentage of output value. In the southern regions, the annual industrial crops are only about 1.5 times as important for sale incomes as for output values.

It seems that cash-income households rely mostly on crops that are not basic food crops for cash income. However, such crops are not given a large share of total crop output. The households make sure that they secure the family's food supply first and then grow more commercialized crops as supplements. This protects the household's food intake against the risks of the market.

Even in those instances where considerable amounts of crops are sold, there is no evidence of market integration yet. A high percentage share sold may be just an effect of larger surpluses due to larger harvests. Even after satisfying family needs, a substantial share is left for sales. A farm household that sells 99 percent of the output may still secure a sizable fraction of the household's food consumption from their own farm production.

The household as an "income pooling" unit

In 1993, the average income per capita in the whole country, according to the Viet Nam Living Standards Survey, was 1 105 thousand VND (about US \$100 at that time). In the urban areas, this number was 1 815 thousand VND, almost twice as high as in the rural areas.

The average income per capita in Quintile 5 is 2 190 thousand VND, which is 4.43 times greater than in Quintile 1. The average income difference between Quintiles 5 and 1 is 3.85 times in the rural area and 3.41 in the urban area. The Gini coefficient²¹ calculated for the whole country is 0.36. In other Southeast Asian countries, the Gini coefficient ranges from 0.33 to just over 0.40. For instance, in Indonesia, it has been calculated as 0.33, in the Philippines 0.41, in Thailand 0.43, and in Malaysia 0.48. In China, this indicator was 0.33 in 1985, but increased to 0.35 in 1990. In Viet Nam, the Gini coefficient has increased quickly in the last few years due to income stratification (Oshima 1997).

The number of households with a middle income (from 6 to 10 million VND) does not differ much between the rural and urban areas. But the percentage of households that are poorest (less than 2 million income in 1994) in rural areas is

²¹ Gini is a measure of disparity where 1.0 equals the most inequality possible, and 0 equals perfect equality. The higher the coefficient, the higher the inequality.

twice that of urban areas, while the percentage of urban households in the richest category is five times greater than that percentage in rural areas (see Table 13).

Table 13. Distribution of households by annual income level (%).

Income level (VND per year)	Rural	Urban	Total
2 million or less	28.5	13.1	25.4
Over 2 to 4 million	32.8	20.8	30.4
Over 4 to 6 million	17.2	15.2	16.8
Over 6 to 8 million	8.3	13.3	9.3
Over 8 to 10 million	4.6	9.7	5.6
Over 10 to 20 million	6.7	18.2	9.0
Over 20 million	1.8	9.6	3.3
Total	100	100	100

Source: State Planning Committee and General Statistical Office. *Viet Nam Living Standards Survey*. Hanoi, 1994, p. 226.

Income derived from agriculture and forestry activities constitutes a high share of the total income of rural households. It is 36.30 percent in the whole country, 51.57 percent in rural areas, and only 4.86 percent in urban areas. In rural areas, it is the main source of income, but income derived from non-farm self-employment makes up 28.1 percent, and 16.6 percent comes from wage-earning activities. (Pensions and other income sources making the remainder.) In urban areas, the main income source is from non-farm self-employment activities and from wages and salaries. These shares are correspondingly 54.8 and 32.4 percent.

The share of income derived from agriculture and forestry is highest in the category of the poorest households (59.3 percent) and decreases as total incomes to reach the lowest value in the richest households (17.5 percent).

Viewed from a regional angle, the income derived from agriculture and forestry for the households living in the northern Viet Nam mountain regions accounts for 63.11 percent, in the Central Highlands 64.56 percent, in the Red River Delta 39.93 percent, and in the Mekong River Delta 40.70 percent (see Table 14).

Table 14. Composition of main income sources of households (%).

Sources of income	Regions ⁽¹⁾							Total country
	1	2	3	4	5	6	7	
Agricultural and forestry activities	63.11	39.93	46.97	21.18	64.56	11.27	40.70	38.31
Non-farm self-employment	19.76	36.52	34.15	45.77	14.37	50.67	33.53	38.84
Wages	11.16	16.59	12.22	28.03	19.95	32.73	22.91	21.77
Pension/subsidies/scholarship	5.59	6.16	6.15	3.33	1.07	1.03	1.07	3.29
Other income	0.38	0.80	0.51	1.69	0.05	4.30	1.79	1.79
Total	100	100	100	100	100	100	100	100

Source: State Planning Committee and General Statistical Office, *Viet Nam Living Standards Survey*, Hanoi 1994, p. 219.

(1) See Table 12.

Note: The data on the structure of earnings pertain to both urban and rural areas in each region. They include wages earned in, near, and away from home.

Conclusions and policy recommendations

The information presented above indicates the growing importance of the household economy in the overall economic development of Viet Nam. In this respect, Viet Nam appears to be following the model of other socialist societies that have opened up their economies to largely uncontrolled markets. From the perspective of some commentators outside Viet Nam, this process is viewed as positive because it is perceived as accelerating the growth of the economy, replacing inefficient state-subsidized units such as state retail stores, and generating household and labour absorption. This is occurring at a time when the state's resources are scarce, or at least have to be directed toward creating a managerial and physical infrastructure that will enable Viet Nam to become more developed.

But at the same time, many Vietnamese policymakers regard the growth of the household income as presenting real challenges to their attempts to develop an indigenously derived policy for development, which is summed up in the concept of *doi-moi*. Introduced changes have increased the importance of the household economy in both rural and urban areas. This goes hand-in-hand with the increasing inequality between rich and poor, between regions (the poor mountain and central regions versus the Mekong River Delta), and within households, for example in gendered access to education. The increasing commodification of the economy is further accentuated by the growth of the household as an economic decision-making power. This growth is based on the ability of the household to choose to move into new crops, or to allocate labour to wage earning opportunities. Relative household autonomy places pressure on the state's ability to provide institutional support for households.

Concerns raised by the growth of the economy are not new to the socialist economies engaged in partially marketizing their economies. In China, the growth of the so-called "individual economy" from 1978 onwards generated full-

scale debate among intellectuals. Discussion particularly surrounded the issue of what proportion of the household economy's contribution to the gross domestic product of the country could be permitted before it dominated the socialist contribution. In China, this issue was at least partially resolved by the growth of "township" and "village" enterprises, which represented a reformulation of the older collective forms of economic organization into market-directed enterprises. At the same time, state enterprises were instructed to become more productive and subsidies were progressively eliminated. In Viet Nam, the policy of *doi-moi* is much more recent, but the same debates have been generated. In many of our various team workshops, vigorous debate was carried out concerning the role of the household in Vietnamese development. What is clear at this stage is that the rapid changes are causing major challenges to policymakers.

The rapid and widespread development of the household economy in both urban centres and rural areas is the result of the country's economic policies, particularly those that encourage the household economy. Most important is the fact that households are considered to be independent economic units in the countryside. Land and credit allocation policies have been established for the benefit of peasant households. These policies play an increasingly important role in Viet Nam's new period of development. The household economy is confronted with more urgent and complex problems than ever before. Challenges are posed by shifts in the type of crops grown, diversification of production, rising business capacity, population migration, and the need for more jobs.

Our perspective is that an understanding of the role of the household in the economy at all levels helps to provide policymakers with the insight needed for adopting policies that can help to deal with the worst problems in this period of rapid change. The following conclusions are quite modest, but taking them into account in policy making will help to make the Vietnamese development transition more human and less harsh.

1. The household economy is a form of production organization that greatly contributes to the process of "renovation."

The household economy is suitable, not only for the characteristics of agricultural production, but also for service, trade, handicraft and small-industry production in towns and cities, particularly at the stage of shifting from the centralized planning system to a market mechanism with state regulation. A correct and adequate evaluation of the current role played by the household economy will help policymakers define appropriate policies for subsequent development stages.

The household is a combination of economic units with social cells that are based on the labour offered by the household in terms of cooperation in the use of land and division of labour between its members. The household's main economic tasks involve gaining more income in order to

meet consumption needs, and investing in production. Economic self-management and the capacities to meet internal needs have helped the household economy to survive and develop in an ever-changing macroeconomic environment. In the context of this change, thanks to its inherent advantage, the household economy has become a vigorous form of organization for producing farm goods and traditional home crafts, in exchanging commodities, and in providing services. These production roles, in part, substitute for the cooperatives and state-run establishments whose operations proved to be less effective, and less profitable. Through its contributions to stabilizing food supplies in rural areas, absorbing surplus labour, and diversifying services in urban centres, the household economy has played a special role on the path to the market economy in Viet Nam.

2. Under the impact of macroeconomic factors and policies, the household economy is now undergoing rapid changes in many respects. Its diversification in forms and degrees of development is occurring on a national scale.

Generally, the household in Viet Nam is still self-sufficient. This self-sufficiency is based primarily on the cultivation of a single food plant. However, household economic activities in different regions in recent times have rapidly changed from mono- to multiple-cropping, and from one to many trades and occupations. Households now adopt the strategy of multiplying their income earnings by means of product diversification.

A number of households diversify production in order to meet the needs of their members and avoid the risks of concentrating on a particular economic activity. For some households, diversification is a market-oriented step which brings into play their comparative advantage.

Households have oriented themselves not only toward the maintenance of food cultivation for ensuring food security, but also toward diversification of employment for their members. Family members may be employed in industrial production, construction, handicraft, small industry, or the service industry. Employment might involve a job in a village, town, or city for a short- or long-term period, working for hire or through self employment. Through diversification of occupations by their members, households have new opportunities to multiply and stabilize their earnings.

The above reality requires that policies affecting peasant households not be focused only on agricultural production. Policies should also address integrated development of rural and urban areas, including the encouragement of industry in market towns. At the same time, policymakers must understand the diversification of households so that they may draw up suitable development programs. The aim of such

programs should be to help households maximize their respective abilities, build on their strengths and secure maximum income earnings from the occupations they have chosen.

3. Diversification of income sources and a shift in income structure toward gradually raising non-farm income should be a main concern in making policies for the household economy in the near future.

The household economy's earnings are tending to diversify. This is a tendency both in urban centres and in rural areas. The rate of earned income increases by means of the contributions from non-farm activities. This is especially true in the middle-income households that are undergoing a rapid change for the better to non-farm activities in a number of regions. This shows that the possibility of expanding trades and occupations in rural areas depends mainly on the factors of market, infrastructure, and availability of funding. The challenge confronting policy-makers is to devise a scheme for making investment in these factors such that agricultural growth is kept at a suitable level. Non-farm activities should be developed to the maximum extent, especially in the processing, fabrication, and services industries. One way to achieve this is to shift bank loans from agricultural development to the service of non-farm trades and occupations of the rural households.

4. The role of women in the development of the household economy in urban centres and rural areas must be brought into full play through socioeconomic policies.

In rural areas, greater attention should be given to women whose role is to manage the household economy. In the processes of small-scale production, diversification, and non-farm occupation development, women play a major role. Priority must be given to helping women develop and act on their abilities. This priority can be implemented through socioeconomic policies that take into account gender and the labour division between males and females in various domains of activity.

The effectiveness of production and business of households, particularly of groups of households, in the commodity economy depends to a great extent on their decision-making capacity and on the appropriateness of economic decisions made by the business manager, the household, or by the individual householder. Policies should be developed to supply information, transfer appropriate technology, and provide adequate funds to the rural households in order to help these households raise their management and investment capacity and promote their production and business. Agricultural support and credit grants must be

directed to serve not only the peasant households, but also all individuals taking into account gender, and age.

5. Every effort should be made to develop short-term labour-absorption policies that can be applied at the household level to provide employment.

This chapter has focused on the important role that the household plays as a major decision maker in the allocation of labour. At this point in time, Viet Nam is characterized by a large supply of surplus labour in rural areas. As commodification increases, there is ample evidence that this surplus labour will be released either to move into non-agricultural enterprises in the countryside, or into urban areas. The government can respond to this process by providing small amounts of development funds for labour-intensive infrastructure development programs at the district level. An example of such a scheme is the IMPRES FUND in Indonesia, which provides funds directly from the central budget. During the 1970s, they amounted to little more than 25 cents US a day per person, but their availability created employment opportunities and helped ameliorate poverty at the rural level. The government can also provide funds to increase job skills in both rural and urban areas.

6. The government should attempt to develop social policies that can strengthen the household economy.

The results of this study indicate that the social tensions of *doi-moi* are considerable. The provision of social investment capital in the form of education, health and welfare has come under increasing pressure. Thus, the household has had to take up this slack. The government should, therefore, make every effort to develop policies that can help the household exercise its responsibilities for social welfare and health.

7. Household economic development capacity depends a great deal on the quality of manpower resources and on the capital invested in human development. In order to help these households invest enough money in human resources for long-term interests, incentives must be developed by the state and society.

There are households that still reserve their earned income to cover urgent and immediate spending, or who want to immediately meet the needs of consumption of their members. Therefore, it is hard for them to make investment in human development. It is difficult for these households to pay for the schooling and education of their members, although they know that spending on education would bring them benefits. In many cases, the cost of education exceeds their financial means, particularly the mean of low- and middle-income households.

Favourable conditions have not yet been created for raising the effectiveness of investment in human beings. The kind of investment that is related to health care, education, culture, and professional skills is, so far, considered to be a personal affair. It is a matter overlooked by policy-makers in their dealing with the promotion of the household's economic development capacity.

The strategy of the country's industrialization and modernization requires that more efforts should be focused on the development of the household economy and on the improvement of household members' economic skills. To do this, proper socioeconomic policies — particularly programs with the targets of job-creation, education, and health care — should be developed to encourage and create conditions for more investment in the development of manpower resources to meet short- and long-term objectives of the country.

8. The adjustment, amendment, and perfection of policies will be more successful when the information and data supply system reflects not only macroeconomic activities, but also reflects more accurately the features of the household economy.

To do this, surveys of the household economy should be periodically conducted at both macro- and micro-levels. The information about household economic activities and decisions should be incorporated in the macroeconomic information system.

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PART IV.

SOCIAL POLICY

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Introduction

The process of renovation in Viet Nam (*doi moi*) officially started in late 1986, and has since been expanded in all areas. The renovation process has reduced bureaucracy and the state-subsidy system, developed the multisector market-oriented economy, and initiated an open-door policy. This has resulted in many important achievements, but at the same time has created a number of social problems which need to be studied and solved in time.

For instance, market-oriented development has made the economy thrive; however, it has also caused the differentiation between rich and poor people. The acceptance of the capitalist private economy will allow this sector to expand production and business operations, creating more material wealth and commodities for society — but it could also lead to the exploitation of man by man. Following the abolishment of the state-subsidy system, many state-run enterprises have encountered difficulties and even bankruptcy, making a large number of workers jobless and further heightening the already tense problem of unemployment. The emphasis on economic accounting has made production and business operations more efficient, and simultaneously resulted in the commercialization of aspects of education, public health, and especially arts and culture, causing serious deterioration in these areas.

The emphasis on market-based distribution of incomes and the abolishment of subsidies has, in both urban and rural areas, stimulated labour activity. However, the incomes of families who are "special policy" beneficiaries (families of war dead, invalids, or disabled soldiers), have been reduced, thus causing many difficulties for these families. The strengthening of external economic relations through the "open door" has on the one hand helped Viet Nam attract more foreign investments and advanced technologies but, on the other hand, introduced lifestyles that are not in conformity with traditional customs and practices.

The above examples show that apart from its important achievements, the process of renovation has raised many problems that need to be considered and solved. First, the development of theory is necessary as the basis for planning concrete social policies that have significant impacts on the development of society.

The term "social policy" covers many aspects of human life. Each aspect may be a separate object of study or even a main research task of an institute or government agency. For example, labour protection policy is the main object of

study by the Research Institute of Labour Protection Technology under the Viet Nam Federation of Trade Unions. Social security policy is the primary subject of study, as well as the sphere of activity, not only of research institutes under the Ministry of Labour, War Invalids and Social Affairs, but also of the whole ministry. That is why a thorough and complete study of social policy will require large numbers of researchers and practitioners working under various conditions and in various facilities.

In view of the importance of social policy issues and their varying study requirements, a program on social policy was established as one of the 10 State Scientific and Technological Programmes on Social Sciences for the period 1991–1995. This program (designated KX-04) addressed “scientific bases for the renewal of social policy and management mechanisms for implementing social policies.” The program consisted of 17 projects involving hundreds of scientists in different institutions researching, planning, and implementing different social policies.

In order to avoid overlapping with the work of that program, and working with much more limited means, the group of authors participating in this study of social policy agreed not to debate concrete social policies. We have instead identified the contents and sphere of social policy, and focused on a number of main principles that could serve as the basis for reforming social policies. The current “burning issues” were identified as:

1. the relationship between the reform of economic policies and the reform of social policies;
2. social equality challenges in a market-oriented economy;
3. the relationship between business accounting and the policy of state subsidy for some areas of sociocultural activities, which formerly had been entirely financed by the state budget (education, public health, literature, arts); and
4. the impact of renovated social policies upon two major classes, the working class and the peasantry.

The system of viewpoints that governs the whole process of social policy making was delineated in the Draft Political Report of the Central Committee of the Communist Party of Viet Nam, Seventh Congress, which was made public on 10 April 1996, and submitted to the Eighth National Congress of the party in July 1996. Almost all these viewpoints are touched upon, to varying extents, in this document. This suggests that the issues chosen for attention here are indeed the pressing issues in Viet Nam today.

Chapter 12. On social policies

Renovating the concept of social policy

In Viet Nam, in the past as well as present, social policy is often conceived as a policy of social assistance. The recipients of this assistance (normally referred to as "targets of social policy") are envisioned as families of war invalids, war dead, or persons of great service to the revolution, retired people, people without a form of support, disabled persons, and orphans. Therefore, social policy in this light is not perceived as a policy for people and the relations between human beings in general. Instead, it is a support policy for certain groups — primarily poor and unprivileged people who need assistance to overcome difficulties in their lives.

The above concept is formed from, and also reflects, a reality that in the past the care of human life did not receive adequate attention. It is not that we were not concerned about such care, but all of our attention was focused on building a better society for the future. However, it was a mistake to think that it was a near future, and therefore we tried to call upon people to "tighten their belts to build socialism." Acting in this spirit, people's current and near-term benefits were ignored, while we were striving to create benefits in the distant future. We focused on the prospects of a future happy life and neglected to pay due attention to the immediate imperative needs of the vast masses. In this period of time, people's individual rights were usually placed behind obligation and responsibility. The human being was seen as the instrument rather than as the agent and object of socioeconomic development. It could be said that this is one of the factors that drove Viet Nam into crisis in the late 1970s and early 80s.

For the first time, social policy was placed in its proper position and importance at the Sixth Congress of the Viet Nam Communist Party (1986), the Congress that marked the starting point of the renovation (*doi moi*) period. The Congress documents asserted the necessity to stop making light of social policy by paying closer attention to the fact that although economic growth is the material basis for implementing social policies, social objectives are the aim of economic activities. Even within the framework of economic activities, social policy is important. It has direct impact on labour efficiency, productivity, and quality of products. Therefore, the Congress asserted that development of a basic and long-term social policy is required. Also, it is necessary to identify the policy development tasks and objectives in accordance with society's requirements and capacity at this stage.

In accordance with this new understanding of the human role, and thereby of social policy in building and developing the country, the conception of content and coverage of social policy is also being renovated. In the past, social policy was conceived as a policy of state support for a population that rendered great service to the country or that needed assistance to overcome their difficulties in life. In contrast, today's social policy is conceived not only as such support policies, but as having a more comprehensive scope. Although disagreement exists among academics concerned with definitions, social policy is generally conceived as: a system of policies or measures institutionalized by the state, designed to regulate relationships and the distribution of society's benefits among human beings, between individuals and the community, and among different communities, in order to solve social problems and ensure the stability and development of society.

The sphere of social policies

According to the above conception, social policies cover all aspects of human life, including working and living conditions, education and culture, family relations, relations between classes, and relations between different ethnic groups. Drawing on the opinions of some other authors, we would like to enumerate five of the main fields that form the system of social policies.

1. The activity of material production of human beings and their society: such as policies on population (demography), division of labour, employment, and labour protection.
2. The distribution and regulation of social incomes: policies on salaries and wages, distribution of social welfare, and social security (including social insurance, social relief, and social programs).
3. The living environment: policies on urbanization, housing, environmental protection, social evils.
4. Political life: policies on human rights enforcement, policies for different social strata (workers, farmers, intellectuals, youth, women, old people, children, etc.), policies on democracy and law enforcement, policy on nationalities and religions.
5. Sociocultural activities: policies for developing education, public health, physical culture and sports, cultural-artistic activities, information, publications, the press.²²

²² Pham Nhu Cuong (ed.), "Contribution to the Study of Social Policies" Hanoi: Social Science Publishing House, 1988, pp. 26-27; and, Bui Dinh Thanh (ed.) "Social Policy: some theoretical and practical matters" Hanoi: Social Science Publishing House, 1993, pp. 89-90. (Both in Vietnamese.)

The above distinctions are rather arbitrary. In practice, social policies are closely linked to one another and knitted together. One policy may sometimes have an impact on two or three of the above areas; conversely, in order to solve a social problem in a certain sector, not only one, but a number of policies may be required.

The functions of social policies

Regardless of their primary foci, all the social policies enumerated above simultaneously aim to serve the human being and to bring into play all human capacities to serve the cause of social development. In other words, all social policies have impacts upon the human being simultaneously as the object and agent of socioeconomic development. As agent, human beings mobilize the maximum of their ability in creative work to create the things that serve them. Conversely, to the extent they are well cared for, individuals will have the capacity to fulfill their creative missions.

Thus, social policies have two functions: to serve people directly and at the same time to foster human capacity. The two functions are closely linked and are premised on each other. It would be wrong to only emphasize one or the other.

The core of social policies

In order to simultaneously fulfill their two functions, social policies must be effective in providing benefits that both reflect the needs of human beings and motivate them to act. These benefits are not only for the individual, but for collectives, classes, and the whole of society. Similarly, these are not only economic benefits, although economic benefits are the most decisive ones. There are also political, ideological, cultural, and social benefits.

In addition, there are other categories of benefits, for example, immediate and long term, legitimate and illegitimate. Due to the variety of benefits, every person should weigh the pros and cons of each type in order to determine which benefit can best meet their needs before acting in a given circumstance. The selected benefit of one person may not be in conformity with that of another; it may even be prejudicial to the interests of others, especially to the interests of the whole collective and community.

Thus, the diversity of benefits has motivated human beings to act in different ways. Nevertheless, these differences may lead in the same direction, or, they may have impacts that are in contrary directions; in the latter case, the impacts cause social conflicts. Therefore, in order to ensure a stable development in the direction of social progress, the core task of social policies is to regulate the different relationships among benefits. The core of this regulation is to ensure justice: equality of rights and obligations for the members involved in the

community. In other words, social justice is the core of planning social policies, and at the same time the nucleus and the goal of social policies.

Other principles for making social policies

Apart from working toward social equality, the process of making social policies must also comply with a series of other principles if people do not want to make subjective and careless mistakes. First of all, social policy making must withstand scientific scrutiny. This means that any social policy must be based on the combination of theoretical principles and the thorough analysis of realities. We should particularly respect the objective laws of development that have an impact upon the making of social policies. Policy making should not be based on the subjective will of policymakers.

Secondly, social policies must be complementary; they must be planned so that their collective impact is directed to ensuring the stability and progressive development of the society. Policies should in no way impede, let alone annul each other.

In the context of the current ebullient, vigorous movement of renovation, it is important to ensure synchronism between the renovation of economic policies and that of social policies. This involves implementing the principle of business accounting and maintaining, to a certain extent, "subsidy financing" by the state for sociocultural activities, for the common and long-term benefit of the whole community. Extreme attitudes that work against this synchronism will result in negative consequences for the normal development of the society.

Finally, social policies must be feasible. This means that every social policy must be made in accordance with the actual situation so that it can be implemented and enforced. It would be a waste of effort to formulate ineffective policies.

In order to create social policies, it is necessary to satisfy other requirements as well; but, we think that the general principles outlined above are the most important. The requirements and principles of particular relevance to the relationship between the renewal of economic and social policies are presented in detail in Chapter 13.

Chapter 13.

Relations between economic and social policies under renovation

The renovation policy initiated in 1986 has brought about major changes in every aspect of Vietnamese society, first and foremost in the economy. Viet Nam was seriously destroyed by many years of war, ranking the poorest amongst the former socialist countries, and suffered from the US embargo. Now, the country has sustained a high-growth rate, has ended famine, reduced inflation, and become one of the biggest rice exporters in the world — all of which has contributed to the maintenance of social stability. While being proud of these successes, we should also look carefully at problems that still need to be solved or are likely to emerge in the economic as well as social fields.

For the country to develop sustainably and with continuing social progress, it is essential that balanced, harmonious relations between economic and social factors, as well as between economic and social policy, be established. The goal of "Rich people, strong nation, and equal, civilized society" requires as much. While *doi moi* has been comprehensive, most attention has focused on the economy and the renovation of economic policies. It is now time to pay equal attention to social policies. The renewal of social policies should be based both on fundamental principles, and on the particular conditions and traditions of this country. To advance from a command, centrally planned, and state-subsidized economy to a market economy under control of the state, Viet Nam has had to change a number of its economic policies. These include the diversification of forms of ownership, acceptance of private proprietorship, multilateralization of the external economy, and price liberalization. These changes have enabled people, and enterprises of all types to do business equally as per the law. Every economic entity is protected with the rights of ownership and legal income, and is free to contract, seek markets, choose technology, and determine the scale, type, and form of business. These policy changes have produced an economy that is more vibrant than one could imagine before the renewal process.

People are more dynamic since Viet Nam embarked on a market economy system. Waiting, relying on one's superior and the state are attributes that have almost disappeared. New policies and the market apparatus have stimulated innovation by executives, managers, and workers; effectiveness in production and business is now the major focus.

The unleashed economy has survived a myriad of material and intellectual challenges. Inflation, which had reached an astounding 400 percent in 1988, and

487 percent in 1989, subsided and then declined to 17.4 percent in 1992, and 5.2 percent in 1993. The economy has gradually become stable. The growth rate is comparatively high, reaching an average of over 7 percent per year; in fact, it was 8.5 percent in 1994 and 9.5 percent in 1995. The living standards of people in different areas have improved markedly; in fact, savings are now being accumulated from the internal economy; most importantly, the country pulled out of a crisis. Things have changed from the time when the first priority of the government included providing rice for the people. It is no longer necessary to stand in a line to buy a needle, thread, some sugar, or a bag of vegetables with a coupon. Now the focus is on how to sell products and compete with foreign goods, not only within Viet Nam, but also for export to other countries.

Since the renovation process, agriculture is the field in which there have been the most significant and stable achievements. After the war victory, the policies of massive nationalization, abolition of private ownership, equal distribution of products, and the establishment of large-scale cooperatives for agriculture production led society to experience starvation, and to the annihilation of motivation in the agricultural sector.

Since the agriculture renovation policy known as Contract 10 was instituted in April 1988, there have been major changes. Most importantly, farmers have the right to long-term use of land, the household has been defined as a self-determining economic unit, and every labourer has the opportunity to benefit from their individual effort. These changes have given an impulse to productivity, and constituted an unexpected big leap forward. Our 1993 survey in the districts of Dien Bien, Thang Binh, and Quang Nam-Da Nang Province, indicated that 91.3 percent of the people asked (584 out of 640) thought that the new policy on the transfer of the right to long-term use of land had been effective, and made them eager to work.

Giving farmers control of their own land and of production processes has intensified farming and rapidly increased output. In the Mekong River Delta province of Dong Thap, the average yield of rice has increased by 10–25 percent since 1989; in some areas of the Delta's Long Xuyen Quadrangle, it has increased by 52 percent. Consequently, Viet Nam's total rice output has been rising steadily and food security has been ensured. These successes can only be maintained if new policies are continually set forth to keep crop productivity high and to raise economic effectiveness through insurance programs and price support for key agricultural products.

As a result of the renewal of economic policies, a number of trades and traditional handicrafts, which had been shrinking or on the verge of extinction, have survived and been given new life. Thanks to the development of commodity production, the household economy has recovered and evolved, making many

people wealthy (10 to 15 percent of total farming households) as millionaires or even billionaires (in terms of income denominated in Vietnamese dong). The above mentioned survey in Quang Nam-Da Nang province also showed that 46.5 percent of the families who had higher living standards regarded this improvement as due to the new policies on agriculture in particular, and on the whole economy in general.

Renovation in the industrial field, especially in the state sector, has been more difficult for many reasons. Nevertheless, the industrial growth rate has been around 15 percent annually and is now increasing. The Law on Foreign Investment, which Western experts find to be the most liberal and open compared to other countries initiating a market economy, has been attracting more and more foreign investment capital. Since the promulgation of this law on 29 December 1987, results have been remarkable. From 1988 to July 1995, 1 433 investment projects were licenced with total registered capital of over US \$17 billion (see Table 1).

Table 1. Foreign investment projects in US dollars.

1988	1989	1990	1991	1992	1993	1994	1995
366*	589	590	1 288	2 717	2 887	4 071	5 100

It is certain that in view of the economic open-door policy, the full membership of Viet Nam in ASEAN, and the normalization of relations with the US, the process of renovation will create even bigger achievements. Nonetheless, it can already be affirmed that the gains resulting from renewal of economic policies have made everyone believe in achieving the target of "rich people, strong country, equal and civilized society." The policies have also terminated the previous chronic crisis of a deficit economy, and created the material basis for the gradual renovation of social policies.

The economic achievements brought about by renovation are impressive, but the social influence is not so clear. Reforms in economic policies do not immediately lead to positive effects in the social field; on the contrary they are the source of evil at some times and in some places. The market economy is still in the initial stage in Viet Nam, but it already reveals both positive and negative phenomena in a variety of social aspects. These need to be considered when making social policies.

It is taken for granted that the nature of a social policy is to serve human beings; in other words, to be people-centered. Although the system of social policies is designed to stabilize the society and motivate development, the policies are for individuals in the final analysis. Hence, they cause impacts on all aspects of life, and on all strata in the society and the relationships among them. On the one hand, social policy exploits and fosters the potentials of every individual and the whole community; on the other hand, it contributes to solving

social problems, and even to averting challenges that may become catastrophes for the community and the whole society. In this respect, a social policy plays an important role in establishing social order and a system of wholesome social relations. Therefore, social policy is closely related to legality and morality. That is why social policy affects people from the time they are in the womb to the moment of passing away. Social policy also relates to health, education, population, training, employment, cultural enjoyment, security, privacy, struggle against social evils, relief aid, insurance, and social privileges.

Just as the number of social issues that need solving is large, so is the number of social policies. A specific social policy has particular tasks and clear objectives. However, a specific social policy may contribute to settling many different problems, or many policies may be aimed at solving a particular problem. This means that a specific social policy cannot exist in isolation from others — on the contrary, social policies affect and support one another. When a critical task is successfully dealt with by one policy, the result may also be better conditions for solving tasks in other policy areas. If the population policy is well implemented to reduce the birth rate, for instance, conditions for improving material well-being, health service, education, and recreation should also become very favourable.

If social policies are considered to be a complex system of concrete policies, it is all the more necessary to consider this system in relation to the system of economic policies, because together they constitute a dialectical unity. This means first that any economic policy is targeted at certain social objectives, and not simply at profits. In turn, any specific social policy must be dependent on and appropriate to possible economic conditions.

Economic activities that are considered to be progressive must enhance the potential to satisfy the increasing material requirements of the population, and to raise their social living standards. Development of infrastructure and material welfare is not an end in itself, but is rather the basis for enabling each person to realize his or her full potential in all respects. In reality, social progress and economic development are not only inseparable but are supportive of each other as well. Economic growth and development are required for the realization of social objectives. To successfully achieve economic aims establishes the essential basis for obtaining social ones. Conversely, it is impossible to sustainably achieve social objectives if they are beyond the society's economic capacity. That is to say, a social policy that is formulated without regard for economic capacity and economic realities, whether or not it is subjectively desirable and fine in principle, becomes merely decorative and not feasible. Putting sound economic policies into practice means that the material conditions are laid for implementing social policies, reaching social targets, and effectively putting an end to social evils.

Although the settlement of social problems cannot be achieved without economic growth, it is wrong to think that if there is growth, social problems are automatically solved. Therefore, we cannot wait to develop a rich economy before starting to consider and resolve social problems. Ignoring social policies would have negative consequences and lead to disorder. In view of the strong impact of social policies on the economy, sound social policies would contribute, if effective, to economic development. Conversely, inappropriate social policies sometimes negate economic achievements or create obstacles to economic growth. These relationships reflect the dialectical integration of the economy and the society, particularly in the case of the market economy.

Although economic growth is a guaranty and premise for carrying out social policies, it is incorrect to think that if economic growth is high, there will not be any social problems. Eventually, economic growth in a market economy would likely result in many great positive outcomes, but on the other hand it can produce a lot of difficult social problems that must be solved in a timely fashion through the means of adequate social policies. Unless regulated by the state, economic changes would lead to the excessive polarization of rich and poor. Geographically, it would deepen differentials between regions, first and foremost between the urban and the rural, among various areas on the plains, and among the plains, midlands, and mountainous zones. The flow of people into cities who are seeking employment would increase, with the result that social evils would also increase.

The move toward the market economy changes value systems and standards. It turns them upside-down compared to those in the centrally planned and subsidized economy, and erodes traditional values. In relation to nature, economic growth often leads to undue exploitation — improperly using, wasting, polluting, or destroying nature and natural resources. Every environmental consequence eventually impacts humans; thus, the state's interest in social policy requires it to prevent economic activity from causing environmental deterioration.

Social policy-making and implementation must not be arbitrary, but rather based on careful consideration of various points of view and scientific principles. For countries with different economic, political, social, and historic conditions, and with different development levels, social policy-making, especially implementation, cannot be similar. Viet Nam is a developing country in the first stage of industrialization that possesses a special historic situation due to prolonged, fierce wars which had many serious consequences. Given this, the identification of points of view, or principles for establishing and implementing social policies, becomes ever more urgent in this country.

In Chapter 12 we touched upon a number of principles of primary importance for social policy making. In addition to these, we would like to draw

more attention to some other principles that should not be neglected in the process of social policy making. These additional principles pertain to the relationship between the renewal of economic policies and the renewal of social policies.

1. Social policies must be imbued with humanism; that is, humanism in the tradition of mutual respect and mutual assistance.
2. Although social policies are always aimed at serving human beings, each is a historical product created in a period of social-economic development under a certain political line. Therefore, it is necessary to apply a specific historical viewpoint to making a social policy. When history moves to another stage, and when economic conditions change, it is necessary to change social policies accordingly. It is essential that this necessity be recognized at this time. But unfortunately, two positions that do not recognize this have recently emerged. The conservative position tries to keep everything available intact without acknowledging that once economic policies have changed, there must be responding changes in social ones. In contrast, there is a relatively popular position, which is to purge all and to disclaim completely all gains that have resulted from social policies, even to regard these policies as negative. Following the historical specific viewpoint would avoid such subjective positions.
3. Making social policy must be based on a view of development. Social policies have to contribute to developing and employing human resources in the best possible way. Nevertheless, human resources frequently change and move parallel to social progress and economic development, and in interrelation with other resources. Therefore, social policies intended to serve the human being must be simultaneously set forth in accordance with views on development and regarded as an open system.
4. The state takes the main responsibility and role in the long- and short-term implementation of all social policies. However, for a poor country such as Viet Nam, which has a large number of social-welfare beneficiaries, the state cannot bear the burden alone. That is why it is necessary to socialize and institutionalize the enforcement of social policies, not only immediately but also over the long term. By socializing and institutionalizing social programs, we both alleviate the burden for the state and make full use of the people's altruism — including people's organizations, social organizations, entire communities, and businessmen. As well, enterprises of all types are compelled to take responsibility to deal with social matters in cooperation with the state and to create stability so that the country may develop.

Chapter 14.

Social justice as the core of social policies: possibilities for Viet Nam

Social justice and social equality

As mentioned in the previous chapter, social justice is the nucleus and the purpose of social policies. But what is "social justice"? How can we ensure that social justice will be implemented in every social policy in the context of a developing market economy? Can social justice be put into practice if an economy is still developed at a low level? Is it necessary to sacrifice social justice in order to achieve a rapidly developing economy? Does the growing differentiation of rich and poor lead to social justice being violated, or the contrary?

There are a lot of different opinions on these matters. In previous times, under the bureaucratic subsidy system, justice and equality were construed to have the same meaning. Equality was understood as meaning that people in society are on a par with each other in all respects: politically, economically, and culturally. As a result, the concept of justice was in essence considered as identical to "egalitarian makes flat." Anything not in accord with egalitarianism would be seen as a violation of the justice principle. This wrongful view decreased, even abolished, momentum for socioeconomic development. In fact, however, although the contents of "social justice" and "social equality" are close to one another and may seem identical, they are still different concepts.

Equality means that each person has the same status in society in terms of legal rights. When people are socially equal in all respects, one speaks of total social equality. (When comparing people who are the same in some respect, this does not involve a social relationship; for example, when comparing people who have the same strength, height, or interests, one usually does not speak of equality, but uses terms such as "on a par" or "at the same level.")

One important kind of social equality is that of duty and right, of contribution and benefit. This kind of equality is social justice, which is based on the principle that the same contribution equals the same benefit. According to this definition, social justice is both a form and a concrete expression of social equality, and implementing social justice is implementing a part of social equality. Social justice is a step on the way to complete social equality; however, it is still not in itself complete social equality.

According to Marxist theory, socialism is the first stage of communism. Distribution of goods in that stage is based on the principle that a producer will get from society the amount of consumer goods that is in balance with the value of the labour that he has supplied (after discounting his contribution to social funds). This is an equal distribution rule, in one sense, because all producers have the same rights to share in the consumption made possible by society if they have made the same contribution. However, implementation of this principle still results in a certain inequality for members of society. That is an inevitable shortcoming of the first stage of communism. Total social equality only occurs in the higher, or second stage of communism. The above discussion shows the difference between social justice and social equality.

Standards of social justice and possibilities for implementation in Viet Nam

As mentioned above, the main meaning of social justice is simply that the same contribution equals the same benefit. Therefore, in the current context, when we are still poor, we are not only able but also have to implement social justice by paying more to those who work more to increase labourers' motivation. This principle of justice and its implementation potential need to be clarified:

1. Previously, we considered distribution based on labour as the only criterion of justice; this criterion must now be further expanded. Distribution should be based on:
 - labour;
 - capital sources; and
 - other contributions to society in general (not solely to economic production), especially to the nation's existence and health.
2. Even in labour-based distribution, the justice criterion should not be considered an absolute. This criterion bears a relative characteristic and is established through the experience of daily life.
3. In the transition period from subsidy to market mechanisms, we should not and could not immediately expect the implementation of absolute justice (total equality in standards of living). We can only obtain this step-by-step and the route is not short.

Social justice as a driving force for socioeconomic development

At present, social justice is an important force for socioeconomic development in Viet Nam for a number of reasons. Human beings often act for the sake of benefits, especially individual benefits. If we truly carry out the principle "same contribution — same benefit," the labourers will be satisfied because they will not suffer a loss when they contribute to society. As a result, they will try their

best to apply intelligence, capital, and other resources for business, production, and other activities needed for socioeconomic development.

Labour and capital are the two basic factors of economic development. Once people who have working capacity eagerly contribute their labour, capital holders will eagerly contribute their funds. All these contributions are important for socioeconomic development. Together with labour and capital, we must count other contributions to society, especially contributions to the existence and health of the nation. These concern one's obligation to create a healthy, harmonious, reliable social psychological atmosphere that will stimulate economic development.

Implementing social justice is a matter of utmost importance at this moment. Sociological survey data show that people are temporarily ready to accept inequality but not to accept unfairness.²³ They agree that the ones who contribute labour, capital, or talent can have an easy life and others who do not will live poorly. But it is unacceptable to see one who is dishonestly trading, embezzling, or abusing power have special privileges and benefits and leading a luxurious overindulgent life, while the ones who work hard day and night still lead a poor life. This is the most difficult problem; if we can solve this problem it will bring about positive effects and encourage working people to boost economic growth.

It is not at all easy to implement the principle "same contribution — same benefit." Previously, most people lived in similar conditions. Although the majority of people agreed to put labour-based distribution into practice, many people, especially those with low-incomes, want to receive equal benefits. Even the managers want to average distributions in order to decrease complexity. This psychology is an obstacle for us in carrying out social justice. In the present situation, implementation of social justice demands a courageous attitude.

²³ Data collected by the authors (Tang, Chuan, and Luan) through surveys in 1993 and 1994 show that in Quangnam-Danang Province, 91.2 percent of 663 households considered the current polarization between the rich and the poor to be normal and acceptable. In Ho Chi Minh City, 72.9 percent of 431 sampled households had the same attitude, while the equivalent rate in Hanoi and Haiphong combined was 80.2 percent of 1 020 households.

Chapter 15.

Polarization of the rich and the poor

A phenomenon that has emerged in recent years, and one which concerns many people, is the polarization between the rich and the poor throughout the country; this has led some to believe that social equity has been seriously violated. Others believe that it is time to analyze and consider the recurrence of social inequality in order to frame appropriate policies.

What is the proper approach for looking at the phenomenon of polarization? First of all, we should point out that in the past there were rich and poor families in urban and rural areas, but this was not evident. It was hidden or covered by the state-subsidy system. What about the phenomenon at present?

The Ministry of Agriculture and Food Industry conducted a study in 1992, which was issued in April 1993 on the economic status of farmer households in 17 of the 44 provinces of northern, central, and southern Viet Nam. This, along with a study of polarization between the rich and poor carried out by the General Statistic Department at the end of 1993, revealed the following:

- **Income:** The distinction between the rich and the poor is relative. Since 1990, living standards and incomes have improved not only for the rich but also for the poor.
- **Farming:** The percentage of rich households who earn their living by farming is 74.24 percent.
- **Labour:** Incomes have increased primarily due to the hard work of the labourers in rich households. On average, one labourer of active working age of a rich household works 269 days per year. Due to lack of land and capital, one of a poor household works only 88 days per year.
- **Land:** On average, a poor household has access to 3 542 metres squared, while a rich one has 13 260 metres squared. However, the land worked by the rich is not owned by them — 94.1 percent of the land accessed by rich households is allocated by cooperatives and government at different levels because rich households have the necessary attributes to be able to take direct part in producing wealth for society.
- **Capital:** Rich households invest heavily in capital for production. Of this, 30–50 percent is self-accumulated, the rest is borrowed from the bank and other sources. Meanwhile most of the poor households are lacking in capital and do not have collateral assets to get credit from the bank.

There are other factors leading to poverty: lack of experience, labour power, laziness, big families, unplanned expenditures, illness, or diseases.

The above situations lead to the conclusion that the polarization between the rich and the poor in rural areas is due to a variety of subjective factors at both ends of the spectrum — it does not stem mainly from the private ownership of production means. Additionally, both rich and poor households are labourers, and both earn their living primarily from their own labour. Those households who have good opportunities, better experience, talent for working and trading, and healthy labour, will be richer. Thus the polarization does not represent inequity but equity: Those who work hard and well will earn more, while those who are lazy and work inefficiently and ineffectively will earn less.

The situation of the polarization between the rich and the poor in the urban areas has similar features to some extent. Results from a survey by the authors carried out in Hanoi during mid-1992 show that polarization between the rich and poor occurs mainly in the group of households completely in the "non-state sector" — households where all members participate in private production, business, and services. In the group of households belonging completely to the "state sector" (in which no household members work for the private sector), living-standards are less differentiated. Disparity within the group of households that have members working in both the nonstate and state sectors tends toward the pattern of the private-sector households.

In 1992, the NCSSH Institute of Sociology surveyed the economic status of 800 households. On the basis of indicators related to housing conditions, quality of furniture, incomes, expenditures, self-assessments by household heads, and subjective judgments of interviewers, the households were divided into five categories: rich, above average, average, below average, and poor. Table 1 analyzes households in terms of these categories and the workplace categories of "purely state-owned" (i.e. defining households where members work at state-owned enterprises), "both state and nonstate" and "nonstate."

In a separate study of poor and rich households at the same time as the 1992 survey, it was found that about 80 percent of the poor families consisted of members who work for the nonstate sector, mostly in trade and services. In the

Table 1. Socioeconomic characteristics of Hanoi inner-city districts.

Standards of income	Household Categories		
	State-owned (%)	Both state and non-state owned (%)	Non-state owned (%)
Rich	0	4.6	8.2
Above average	2.5	36.7	30.6
Average	51.3	44.7	43.2
Below average	33.3	11.6	13.1
Poor	12.8	3	4.9

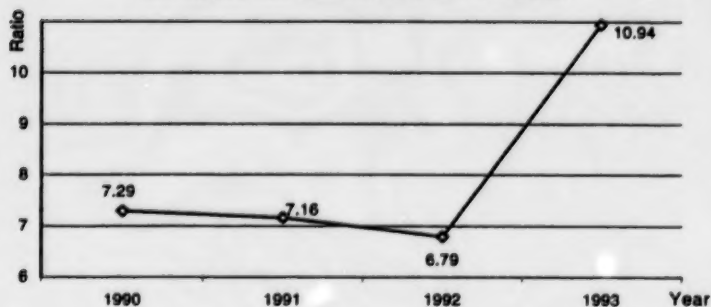
state sector, those enjoying high incomes are mainly the medium- and high-ranking officers, people who have advanced knowledge and are qualified specialists, or people who are in advantageous professions such as in the fields of foreign affairs or foreign trade.

While the polarization (even in urban areas) is of various kinds, it mainly results from differences in labour force talents for business and production, or from differences among enterprises.

The above analysis leads to the following conclusions:

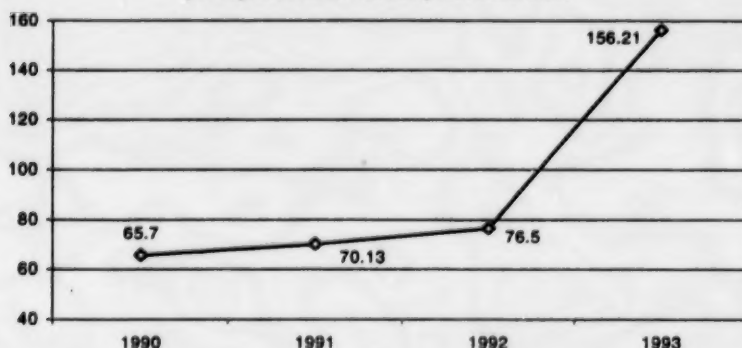
1. In comparison with the subsidy system, where distribution was egalitarian, the current polarization between the rich and the poor shows the re-establishment of social equity. It is not a sign of the violation of social equity and especially is not a serious violation, as some people claim. Polarization has itself become an important motivating force behind the recent considerable economic growth. Therefore, now is the time for us to promote the results already obtained, and to encourage people to enrich themselves legally. It is not appropriate to stop this evolution because of the existence of the polarization between the rich and the poor.
2. In other respects, social equity really is being violated. To get rid of this violation, we recommend:
 - opposing and eliminating illegal enrichment;
 - regulating the incomes of people who enrich themselves thanks to their professional advantages; and
 - carrying out a good treatment policy for those who have rendered good services to society whether or not they are in production sectors.
3. The gap between the rich and the poor has been increasing in the 1990s. From 1990 to 1992 the increase was hardly noticeable but it became so in 1993, and since then seems to have widened every year (see Figures 1 to 4). In the coming years, the rapid shift to the market economy might create social inequality as defined above, not just income disparity. To prevent that possibility, or at least to reduce the severity of inequality created, we propose that while encouraging households to enrich themselves legally we should explain and promote the movement of “abolishing famine, alleviating poverty”. Attention should be focused on the eradication of famine in rural areas and the alleviation of poverty in both rural and urban areas. In other words, although the polarization between the rich and the poor becomes more and more evident, this does not mean that we should stop encouraging people’s legal enrichment. On the contrary, we must continue to encourage the legal enrichment of all people, at the same time trying to narrow the gap between the rich and the poor.

Figure 1. Ratio of average monthly income between rich and poor households in Viet Nam's rural areas.



Source: Viet Nam General Statistics Office. 1994. Ministry of Agriculture and Rural Development and Rural Development Surveys 1990, 1993 (Tiem 1991 and 1992).

Figure 2. Gaps in average monthly income (in terms of rice) per capita between rich and poor households.



Source: Viet Nam General Statistics Office. 1994. Ministry of Agriculture and Rural Development and Rural Development Surveys 1990, 1993 (Tiem 1991 and 1992).

Figure 3. Gaps in average monthly income per capita between rich and poor households (times) in Hanoi.

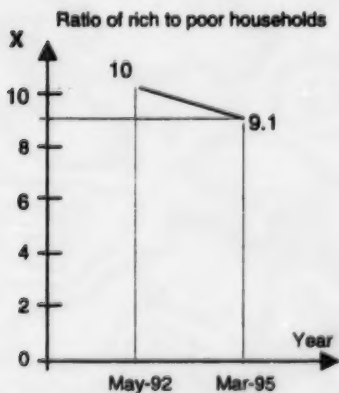
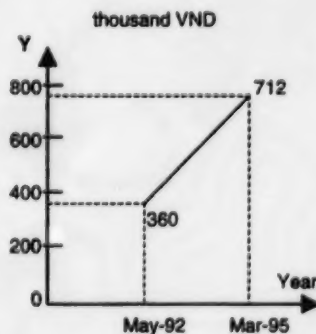


Figure 4. Gaps in average monthly income per capita (in terms of rice) between rich and poor households in Hanoi.



Chapter 16.

Relationship between business accounting and state financing in some fields of sociocultural activities (education, public health, culture)

The development level of a nation is not only considered to be based on the GDP per capita but also on the development level of social humanity as shown by the Human Development Index (HDI).²⁴ The increasing attention paid to the HDI shows that people place a special importance on sociocultural development as well as on economic development. This is why the Democratic Republic of Viet Nam, since its founding in 1945, has fully subsidized sociocultural activities, even though they are not productive in the same sense as economic activities. Thanks to the system of budget subsidies over the past four decades, sociocultural activities in Viet Nam have led to many important achievements.

Education has been promoted with the movement to "wipe out the illiteracy enemy — literate person teach illiterate persons" since the victory of the August Revolution in 1945. As a result, Viet Nam's population changed from being 99 percent uneducated and illiterate before 1945 to being 90 percent literate by 1988. A system of schools from kindergarten to university was formed and has trained several generations of pupils and students to become a skilled labour force in industry, culture, science, and national security. The August Revolution was the prerequisite for building culture, literature, and arts that belong to the people in many forms, as well as the continuously evolving press and other information media.

²⁴ The Human Development Index (HDI) of the UNDP combines indicators of longevity, health, education, knowledge and living standards. Viet Nam's score of 0.54 (where the maximum score is 1.0) ranks it at 122st of 174 countries. Viet Nam is one of sixteen countries whose HDI ranking is 20 countries higher than its GDP ranking. This means that Viet Nam has successfully transformed its economic growth into a happier life for the people. One other factor newly added to the HDI is the Country Poverty Measurement, which measures the lack of three basic abilities in 101 countries: a healthy and nutritious life, a healthy and safe working life, and knowledge and know-how. According to a 1996 UNDP report, the CPM of Viet Nam ranks 27th among 101 countries, putting it ahead of some other Southeast Asian countries such as Indonesia, Malaysia, Philippines, and Thailand. The ranking shows that although Viet Nam's per capita income is lower than in many neighbouring countries, it has a better ability to overcome poverty. (Source: Le Ngoc Hoan. "Viet Nam has Well Implemented the Program on 'Abolishing Famine, Alleviating Poverty'" *Viet Nam Investment Review*. Oct. 15–21, 1996.) See also Figures 1 and 2.

One of Viet Nam's predominant achievements is the health service network that has been established in both urban and rural areas. The achievements in education, public health, and culture in the period before renovation from 1945 to 1986 show that although the system of budget subsidies had many defects (which were dealt with by adopting market mechanisms), there were also important positive developments during the pre-1986 period thanks to good decisions made by our party and state.

In the period of the subsidy system, the state attempted to care for the people by providing food, lodging, education, disease treatment, and transportation. In comparison with the former period under colonial domination, the living standard of Vietnamese people improved both physically and spiritually — despite the protracted and destructive war. After Viet Nam was reunified completely in 1975, we continued to implement the system of budget subsidies in a context of significant change and of new and heavier demands being placed on the state.

In fact, the state could not continue the system of budget subsidies as it had done previously due to limited resources — and because the system was starting to create a psychology of dependency on the state. This created a lack of motivation for rapid development and an economy unable to support the vibrant sociocultural sector that was the aim of many of the subsidy policies.

In the early 1980s, Viet Nam faced repeated socioeconomic difficulties. In order to move beyond the socioeconomic crisis and to continue to take the country forward, our party and state devised comprehensive renovation in 1986. This was the turning point for political-socioeconomic life in Viet Nam. The system of budget subsidies has been removed step-by-step, and replaced with the market mechanism to stimulate economic growth. The centralized administrative mechanism has been restricted to regulation at the macro-scale, and to orientating development toward national goals.

As the system of budget subsidies was removed, industries implemented sound business accounting practices in order to ensure that revenues exceed expenses, rather than waiting for subsidies and financing from the state as they did formerly.

Over 10 years of implementing renovation in Viet Nam, many important achievements have been attained in the fields of education, public health, culture, and science. However, from the beginning we realized that renovation is an ongoing and comprehensive process. There is no textbook for carrying out such a process — we have to learn from our experiences as we go along. Furthermore, while the old subsidy mechanisms together with the old consciousness and old methods of acting are being abandoned, they have not been given up completely. New mechanisms together with new consciousness and new behaviour are being

formed, but we still face difficulties and challenges in understanding how best to proceed.

Many of us still do not yet understand correctly and fully "the market mechanism" (including both its advantages and shortcomings) or the principles of "business accounting." Therefore, there is confusion and even inflexibility in applying the principle of market mechanisms into the spheres of education, health service, culture, and science.

A number of problems have arisen during the initial period of renovation from 1986 to the end of 1993, including the following:

- **Business accounting:** While it was clear that the business and production sectors must adopt business accounting, for instance, by ensuring there is a positive bottom line by "taking enough receipts to compensate for expenses," it was not clear how or if business accounting should be applied to the sectors of "administrative and non-productive activity" (education, public health, culture and science). It was unclear to what extent "subsidies" to these sectors should be canceled. At the beginning of the period of renovation, the "renewal of thinking" atmosphere infused not only the production sector, but was also applied to many cultural and social programs. Business accounting took over. As a result, despite the economic achievements of this period, there has been obvious disarray, weakening, and decline in the cultural and social fields.
- **Health services:** Many services have been cut back. Many hospitals have deteriorated both physically and in terms of treatment and services provided. Hospital fees as well as medical insurance still cause trouble for some patients, especially the poor. Policies intended to benefit women, mothers and children have not been fully implemented. Great health care problems remain to be solved.
- **Education facilities:** Due to inadequate budgets, almost all schools lack proper facilities, equipment, textbooks, and supplies, resulting in "schools being not true to schools, and classrooms being not true to classrooms." School premises are not adequate for pupils, especially in mountainous and remote regions. The quality of education is worsening: teachers have left their profession, many pupils drop out, and the tendency for "education commercialization" appears in various forms such as high tuition fees, speculating in textbooks, and teachers who moonlight as private tutors.
- **Cultural changes:** In rural areas, the shift from communal to household production and wage work has meant that the funds for general use and the

public interest have been severely constricted.²⁵ Culture and information activities in the communes have not been granted budgets or else have received very little. Traveling information teams as well as the literature and art teams of many communes have been dissolved. In addition, communal libraries only possess old books.

The above deterioration has caused great anxiety to the society. Facing this situation, our party and state have made new decisions to improve the situation.

In January 1993, the plenum of the Central Committee of the Viet Nam Communist Party (Seventh Congress) promulgated a number of resolutions on culture, literature and art, education and training, public health care and protection. The same year, the Vietnamese Government issued a series of decisions and decrees concerning these fields.

The resolutions, decisions, and decrees rectify mistaken concepts. These documents clearly demonstrate that the branches called "administrative and non-productive" (such as education, public health, culture, and science) actually are necessary for society, are pre-conditions for the existence and development of production and life, and are productive because they produce services. They are designated "administrative, non-productive" sectors so as to distinguish them from physical production sectors. Investment should be put into these sectors in order to build needed social infrastructure. These sectors do not need to exercise elements of business accounting such as profit and loss accounting in their operations as the business sectors do. But it is essential to require them to raise the effectiveness of their operations to build up and provide adequate human resources which are qualified to meet the demand for the development of the society.

For each "administrative and non-productive activity" sphere, we should distinguish specific activities. For example, in science it is necessary to distinguish basic research from applied research connected with production; in health service, it is necessary to distinguish activities of health care from the pharmaceutical industry. These distinctions are needed to devise proper policies for different social functions. The market mechanism should not be applied uniformly.

²⁵ During the period before *doi moi* before 1986, the sociocultural activities in the communes were financed by the fund for public welfare in each agricultural cooperative. But since mid-1988, when Decree No. 10 allowed the household contract system to be introduced to the agricultural sector, the funds for public welfare in the agricultural cooperatives have ceased to exist.

In addition, although Viet Nam's countryside has benefited under *doi moi*, it has not yet gotten away from an economy based primarily on monoculture and local self-sufficiency. In general, the farmers are poor, the percentage of households that are poor is still high, infrastructure is still undeveloped, and agriculture is still basically based on traditional, backward technologies.

In this new period, education, health service, culture and science play a role that is increasingly important. This has been asserted and emphasized by many resolutions and documents issued by the party and state of Viet Nam. For instance, common principles are:

- "together with science and technology, education and training are primary objects of national policy";
- "health for everybody"; and
- "culture is the spiritual base of the society, the motive power to push up socioeconomic development, at the same time it is the goal of Socialism".

It is obvious that education, health service, culture and science are not "unproductive" and "pure social welfare" spheres as some people conceive them. Rather, these "social infrastructures" are necessary for production and life, playing an active role in stimulating human development as both end and means.

In tandem with rectifying conceptual confusion, the Vietnamese state has also recently made concrete decisions and policies for rectifying faulty practice. It is also ensuring that state financing is properly combined with the market mechanism and business accounting in so-called "administrative and non-productive activity" spheres. This will create favourable conditions for those areas to fulfill their assigned tasks.

For instance, on 12 December 1991, the Decision of the Council of Ministers on rearranging the organization of the movies service, specified:

Due to the specific characteristics of the movies service, subsidy will not be canceled in a wanton way, but on a case by case basis, the state will provide partial subsidy, full subsidy or no subsidy ... The state will finance 100 percent of costs of film shows in mountain and remote rural areas, and areas inhabited by ethnic groups.

In fact, the state has strengthened its investment in education, health service and science, and this investment is having a notable effect. Along with strengthening investment, the state is also supervising and checking the efficiency of this investment to ensure that it reaches rural, remote, and mountainous areas. It also makes sure that justice is served by permitting all people — especially those who have served the country (such as veterans), the poor, and ethnic minorities — enjoy education, health service, and culture.

However, due to restricted budgets, the state cannot distribute investment equally and sufficiently to all sectors, as well as to each subsector. Therefore, the state aims to continue implementing "socialization of sociocultural activities," and emphasizing principles such as "central and local levels do together" and "state and people do together." This will enable the state to: mobilize all capital sources both overseas and in the country (central and local levels of government as well as the people); to establish funds supporting education, health service,

culture and science; to win international co-operation and aid; and to permit borrowing from banks at home and abroad. All these actions will speed up the growth rate of the social infrastructure spheres. Thus, there should be clear advances in any locality where the local authority is committed to, and the people support, activities of education, health service, and culture.

The new policies have already had some positive results, but in order to ensure further development of the social infrastructure spheres in the years ahead, the following principles still apply:

- continue to diversify and socialize various forms of education and training, health care, cultural, and artistic activities;
- implement justice by ensuring that education, health service, and culture can be enjoyed by all people, communities, and regions of the country; and
- continue to add and improve policies for encouragement and reward people directly working in the spheres of education, health, culture and science by giving them proper treatment materially and in spirit, especially by providing adequate salaries, wages, and housing. Privileges should be given to teachers, medical doctors, scientists, artists, and journalists so that they can have peace of mind in their profession. This is especially important for people working in rural, mountainous, and remote areas.

Policies should be devised for enhancing the qualifications, quality, and values of professionals working in the above social infrastructure spheres. At the same time, training should be instituted for new generations of professionals, managers, and administrators. The material conditions and spiritual life of students entering the above fields should be improved so that they have peace of mind and inspiration for their studies. They also need to be confident that they will have adequate employment suited to their profession after graduation.

The above proposed policies on education, health service, culture, and science are closely interrelated. They are the key to the human development strategy that, in turn, is very important for the socioeconomic strategy of the country. To perfect, consolidate, and enhance efficiency and quality of work in the existing organizational systems of the social infrastructure spheres, the state will have to continue to discover and solve the relations between these systems and others at the central level, between central and local levels, and among the components of each system (for instance, between budget management and personnel).

It is proposed that the state budget granted to education, health, culture, and science not only respond to the annual economic growth rate of the country, but also be related closely to many other socioeconomic policies such as those on hunger eradication and poverty reduction, employment generation, rural and agriculture development, justice between regions, adjusting incomes of various

strata of the population, inflation control, population, and family planning. Of these, the policy on hunger eradication and poverty reduction should be emphasized, because it could impact directly on learning, health care, and enjoyment of culture by the poor stratum that is concentrated in rural areas. (About 90 percent of poor people live in rural areas.)

The above analysis on the evolving relationship between business accounting and state financing in some fields of sociocultural activities (education, health service, and culture) shows that in Viet Nam, the innovation process is following the direction of combining economic growth with social progress to achieve the final goal of "People become rich, country strong, society of justice, civilization." Economic growth is being achieved due to application of the market mechanism. As for social progress, this can only be achieved if proper social policy on the relationship between business accounting and state financing is devised.

In our opinion, it would be wrong if mechanical application of the principle of business accounting was applied to the spheres of education, health service, culture, and science. Activities in these spheres would be fraught with unhealthy competition and the tendency of "commercialization" would govern their activities. Healthy activities in these spheres will be connected with their essential requirements being met more and more, which at the same time will create potential for social development. It seems reasonable to say that the social infrastructure spheres are ones in which the state should continuously strengthen, pay attention to, and increase investment in, not only in the interest of productive development and economic growth, but also in the interest of social reproduction and profound socioeconomic development.

Chapter 17.

Impact of renovation policy on motivating farmers and workers

Social policies, as mentioned previously, should be implemented for two reasons: they directly serve people's interests, and they also motivate them to produce goods and provide services for each other.

What has been the impact of the renovation policies upon farmers and workers, the two major labour forces in Viet Nam? To begin to answer this question as well as to provide information for future policymakers, we carried out five sociological investigations from mid-1993 to late-1994. Two of these were of peasant households in the two provinces of Quang Nam-Da Nang and Minh Hai, and three were of labour at 17 enterprises in the three large cities: Hai Phong, Hanoi, and Ho Chi Minh City. The data from these investigations indicate that the series of policies in the renovation period have had obvious effects on peasants.

In Quang Nam-Da Nang, 98.4 percent of the 663 households interviewed affirmed that the new management mechanisms under renovation forced them to work actively. Practically 100 percent of staffs, party members, the poor, and people over the age of 45 agreed with this assessment. Of the households investigated, 54.9 percent said that thanks to their increased activity, their lives were now better than in 1991. These were mostly people who had both work experience and were of a younger but mature age (30-45), or the people who had ability and knew how to make a profit (wealthy households and comfortable households).

Three-fourths of these households emphasized that their lives were improved mainly because of the change in management mechanism which gave them new opportunities to apply their own talents. Few other reasons were given. The households that indicated their lives had not improved or had worsened said that their situation was caused by factors other than renovation of the management mechanism. "Renovation of the management mechanism" refers to a series of concrete policies, including "Long-term allotment of land to peasants" and "Every household has the right to plan and control their own production and business." These two policies were highly appreciated by a majority of the interviewed households: 91.1 percent supported the former and 95.1 percent supported the latter.

Corresponding with these two policies has been a new distribution policy. This policy assumes that apart from agricultural taxes, the rest of the products

belong to the producer and there is no need to pay any expenditure other than taxes to society. This factor of equity in distribution has had the effect of encouraging peasants to work with zeal. When asked "What must the authorities do to encourage the local people's enthusiasm for labour?" all 107 responded by saying that the most important thing was assurance of social justice. Other answers, such as "suitable prices" (75.7 percent of those who answered) and "permit self-control over production" (70.1 percent), were less frequent.

However, different groups had different assessments about the desirability of social justice being defined as fair compensation for production. In general, the more people saw themselves as contributing, the more they asked for social justice assurance, while those who contributed less wanted egalitarian distribution, such that everyone receives about the same regardless of the amount they produce. For example, people who were still young (18-30), had high levels of education, worked actively, and led an easy life always asked for fair distribution because they contributed a lot to society. On the other hand, groups such as the aged, those with low levels of education, or those who were still poor for various reasons wanted egalitarian distribution very much. The investigation of 552 farmer households in Minh Hai province yielded roughly similar results.

Thus, the most important changes in the agricultural management mechanism are the policies: "Farmer household is considered a self-controlled economic unit"; "Long-term allotment of land to peasants"; "Each household has the right of self-control of production" and "Implementation of fair distribution." All these principles have had an enormous effect on the peasants, encouraging them to work with zeal. They not only have improved their own lives by themselves, they have also played an important role in our country's recent economic growth.

Have policy changes had a similar effect on motivating workers in state enterprises? The answer is not so straightforward. Some people say that we could and should apply the country's experience in the agriculture sector to the initiation and fostering of workers' motivation in enterprises by ensuring that workers really control their means of production and are masters of their enterprises, just as peasants are masters of their own land.

This opinion is based on the reality that (according to the law) because the means of production in state enterprises belong to the state, the enterprises have no direct owners. In many cases, they become "no-master things" and suffer from problems like those that prevailed previously in the situation of "no-master of land" in rural areas. In order to use the means of production in industry effectively as we now do in the case of farmland in the agriculture sector, we need to assign them to owners who have real mastery. Thus, some people

conclude that the means of industrial production ought to be put into a shareholding system.

In fact, implementation of a shareholding system is becoming an important objective of the state. This is expected to generate an enormous momentum for industrial development just as the "long-term allotment of land to peasants" policy has created momentum for agricultural growth. Nevertheless, our sociological investigations at four enterprises in Ho Chi Minh City toward the end of 1993 produced some surprising findings.

A questionnaire was used to survey 431 workers, who were asked the following four questions:

1. What best motivates you to work with zeal?
2. Which are the working places that attract you most?
3. Do you intend to move to a better working place? What is better about that place?
4. What is the greatest hope of yourself and your family?

Analyzing all the answers to these four questions, we found that after holding condition of work constant (same kinds of work, same training condition), the two following factors seemed to have the strongest impact on workers' enthusiasm: high level of income (including salary), good internal relations, and friendly atmosphere.

Our in-depth interviews at three state enterprises in Ho Chi Minh City in November 1994 produced the same results. (One of these enterprises had just converted to the shareholding system). The results were also the same when 1 020 workers were surveyed at 10 enterprises in Hanoi and Hai Phong in the fourth quarter of 1994. Although the above questions were answered in various ways, the number of votes for the two motivating factors listed above was always more than for any other factors.

The first factor — high level of income — is easy to understand, but we were intrigued that the second factor — good internal relations and friendly atmosphere — was also significant in motivating workers. It proves that workers consider not only their material interests but also their social and psychological environment.

This conclusion is supported by the results from a survey of 325 female workers in 13 joint-venture companies in Ho Chi Minh City. The survey was conducted by the Center for Scientific Research on Women, Institute of Social Sciences in Ho Chi Minh City, in October 1993. Although salary levels in joint-venture companies (joint ventures between non-Vietnamese companies and Vietnamese state or private companies) were three-to-five times higher than salaries in state enterprises, this did not suffice to satisfy the workers as their answers suggest (see Table 1).

Table 1. Female workers' job satisfaction in Ho Chi Minh City.

Question	Response	Percentage
Would you encourage your relatives who have enough talent to work here?	Yes	60.9
Is it lucky to be accepted to work here, in your opinion?	Yes	52.9
Do you ever think about changing your present work place and looking for another?	Yes	44.3

Source: Survey of 325 female workers in Ho Chi Minh City. 1993.

These survey results suggest that although salaries of workers in joint-venture enterprises are relatively high, other factors make work there unsatisfactory. Indeed, only 3.7 percent of joint-venture employee respondents said "yes" when asked if they were interested in "working here for a long time." The reasons for this bear further investigation.

What have been the effects of the shareholding system? According to our December 1993 in-depth interviews at one enterprise that had converted to the shareholding system, along with summaries of data from the Viet Nam Trade Union, and investigations at 10 enterprises in Hanoi and Hai Phong in the fourth quarter of 1994, the shareholding system is useful for developing workers' consciousness of responsibility for effectively using both capital and equipment (the means of production). But each person's consciousness is tempered by the awareness that their capital is very small in relation to the total capital of the enterprise. This attitude is quite different from the peasants' attitude: if a farmer is allocated land, he can use it by himself, the more he works, the more he benefits. The worker, however, is not in the same situation, due to the nature of industrial production. The industrial means of production cannot be divided into small parts entrusted to each worker. On a production line, we cannot give a worker a tool with which he alone could finish his work. The worker can only be master of his means of production through a representative, not directly. Thus, we can understand why peasants gleefully accepted the policy of long-term allotment of land; this policy immediately had important effects, but policies are not yet in place to give workers the same degree of enthusiasm.

Analysis of data shows that in enterprises that have converted or intend to convert to the shareholding system, workers either waver in their support or do not expect benefits for themselves. Indeed, they are afraid of losing the benefits they have enjoyed in state enterprises, such as having enough work, a stable income or high salary, and an improved standard of living (compared to most people in the agricultural sector). They are especially worried about losing their jobs because of organizational restructuring before and after the shareholding system is implemented. Although the policy permitting conversion to shareholding was issued a few years ago, it has been implemented very slowly.

We can conclude that high income and a good social-psychological atmosphere are, in that order, the most important motivations for workers in state enterprises. Shareholding should be considered as a method for preventing problems arising from the condition of "no-master of means of production," and for raising production.

The role of shareholding should be appraised with close attention to real-life experience. At the same time, the role should be in accordance with sound economic management principles, and should avoid leading to the state losing its interest in property without proper compensation.

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APPENDICES

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Sponsoring Organizations

International Development Research Centre

National Center for Social Sciences and Humanities of Viet Nam

The University of British Columbia

Appendix 2. Acronyms

Acronym	Definition
ASEAN	Association of South East Asian Nations
CHS	Centre for Human Studies
CIDA	Canadian International Development Agency
DRV	Democratic Republic of Viet Nam
ESCAP	Environment and Social Commission for Asia and the Pacific
FAO	Food and Agricultural Organization
GDP	gross domestic product
GNP	gross national product
HDI	Human Development Index
IDRC	International Development Research Centre
IPM	integrated pest management
MOSTE	Ministry of Science, Technology and Environment
NCSSH	National Center for Social Sciences and Humanities of Viet Nam
NEC	New Economic Zones
NGOs	non-governmental organizations
NICs	newly industrializing countries
NIR	natural increase rate
NISTFASS.....	National Institute for Sciences and Technology Forecasting and Strategy Studies
PAM	World Food Programme
RRB	Residential Registration Book
RRD	Red River Delta
UBC	University of British Columbia
VAC	garden-pond-livestock ecosystems
VACR	garden-pond-livestock and mountainous areas forest ecosystems
VGDS	Viet Nam General Department of Statistics
VND	Viet Nam dollar

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Socioeconomic Renovation in Viet Nam

The Origin, Evolution, and Impact of *Doi Moi*

edited by Peter Boothroyd and Pham Xuan Nam

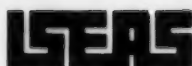
In 1986, Viet Nam began to introduce sweeping liberalization in all sectors of its previously hardline, centrally planned, and closed economy. Referred to as *doi moi*, this "renovation" has produced dramatic changes in the lives of Vietnamese farmers, workers, and their households. Agricultural production has soared. The country now welcomes foreign trade, investment, tourists, business people, students, and scholars. Personal incomes have increased, and Viet Nam is new member of the Association of South East Asian Nations (ASEAN).

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Socioeconomic Renovation in Viet Nam illuminates the key questions and issues that policy advisers and decision makers must wrestle with to ensure Viet Nam's successful emergence into the global family of nations. It will also appeal to development professionals; students and scholars in Asian studies, economics, and rural development; and businesses considering new investment in Viet Nam.

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